Austria ... Sch 20	Indonesia ... Rp 2500	Portugal ... Esc 90
Bahrain ... Din 0.650	Italy ... L 1500	S. Arabia ... Rls 6.00
Belgium ... BFr 45	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pts 125
Cyprus ... C£0.70	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... DKr 8.00	Lebanon ... L 6.00	Sweden ... SKr 7.00
Egypt ... E£1.00	Luxembourg ... LFr 45	Switzerland ... SFr 2.20
Finland ... Fmk 5.50	Malaysia ... Rr 4.25	Taiwan ... NT $65
France ... Fr 6.00	Morocco ... Dh 6.00	Tunisia ... Din 0.600
Germany ... DM 2.20	Mexico ... Pes 300	Turkey ... L 750
Greece ... Dr 80	Netherlands ... Fl 2.75	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... NKr 7.00	U.S.A. ... $1.00
India ... Rup 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,841 Wednesday January 29 1986 D 8523 B

S. African debt: the world waits for Botha, Page 18

World news | Business summary

Black SA students end boycott

Thousands of black students returned to school in South Africa at the end of a prolonged school boycott in protest at racially segregated education.

The return to school could improve the chances of the Government lifting the partial state of emergency declared last July. The Government said it was working on a formula to bring about equal education for all races, possibly within 10 years.

The fragility of the peace was underlined when a schoolgirl was shot dead as police opened fire on a group meeting outside a school. Page 4

Lebanon ultimatum

Shooting erupted along Beirut's Green Line battlefront when Syria's key Christian ally in Lebanon, former president Suleiman Franjieh, issued an ultimatum to beleaguered President Amin Gemayel to quit or face the consequences.

Danish referendum

The Danish Parliament voted in favour of holding a referendum, probably on February 27, on controversial EEC reforms. Page 2

UK unions' warning

The UK's Trades Union Congress called on all unions not to cross picket lines around News International's plant in Wapping, London, and accelerated disciplinary moves against the electricians' union EETPU, which is helping to produce newspapers there. Page 10

India spy scandal

Indian police said several American and West German diplomats were involved in a growing spy scandal which has forced the resignations of two junior cabinet ministers and a senior official. Page 4

Pakistan reshuffle

Pakistan Premier Mohammad Khan Junejo reshuffled his Cabinet, dropping Finance and Planning Minister Mahbubul Haq. Page 4

Norway defence call

Norway's defence chief, General Fredrik Bull-Hansen, called for the country's defence budget to be doubled and a greater British and American naval presence to counter a Soviet build-up on Nato's northern flank.

Aquino support

The Roman Catholic Church in the Philippines indicated support for opposition candidate Corazon Aquino in the election contest against President Ferdinand Marcos. Page 4

Three die in Haiti

Three people were killed and at least 25 injured when security forces opened fire in Cap Haitien during one of the biggest protests ever against Haitian leader Jean-Claude Duvalier.

Argentine initiative

Argentine ambassador to the US Lucio Garcia del Solar has been recalled to help to revive the country's efforts towards achieving a negotiated Falklands settlement. Page 3

Spanish warning

Spain is giving hundreds of thousands of illegal residents until March 1 to put their papers in order or face expulsion.

Poles hold 60

Polish police arrested 60 people on charges of stealing tonnes of meat from a processing plant in Walbrzych, south-west Poland, and selling it on the black market.

Court jails 26

A Turkish court sentenced 26 former customs officers to up to 11 years in jail for sharing part of a currency haul they found hidden in a bus.

Japanese discount rate set to fall

JAPAN'S central bank is expected to cut the official discount rate from 5 per cent to 4.5 per cent, with effect from tomorrow. Page 20

WALL STREET: The Dow Jones industrial average closed up 18.81 at 1,556.42. Page 40

LONDON: equities were swept to record highs on a burst of optimism. The FT Ordinary share index gained 16.0 to a record 1,155.4 and the FT-SE 100 ended 21.3 higher at 1,426.3. Page 40

TOKYO: stocks were mixed in Tokyo with declines outnumbering gains, 409 to 391. The Nikkei average added 10.55 to 12,993.69. Page 40

DOLLAR was slightly weaker in London, closing at DM 2.397 (DM 2.398), SFr 2.032 (SFr 2.0335), FFr 7.3625 (FFr 7.365) and Y195.6 (Y195.7). On Bank of England figures the dollar's exchange rate index fell to 123.9 from 124.1. Page 33

STERLING was firmer in London, gaining 1.85 cents against the dollar to $1.41. It also rose to DM 3.38 (DM 3.3375), SFr 2.865 (SFr 2.83), FFr 10.38 (FFr 10.2475) and Y275.75 (Y272.25). The pound's exchange rate index gained a point to close at 74.7. Page 33

GOLD fell $3.125 on the London bullion market to $352.00 and was $5.625 lower in Zurich at $353.25. In New York the Comex February settlement was $353.70. Page 32

WEST GERMANY'S current account surplus rose to a record DM 38.6bn ($15.9m) last year, compared with DM 17.6bn in 1984. Page 2

UK TRADE balance moved into surplus in December, as non-oil exports improved, but visible trade showed a £2bn ($2.8bn) deficit for all of 1985. Page 13

DRESDNER BANK, West Germany's second largest bank, is raising more than DM 1bn ($414.6m) through a one-for-14 rights issue of shares and a bond issue with warrants. Page 21

US STEEL, the country's biggest steel producer, reported a 17 per cent fall in net profits to $409m in 1985. Page 21

UNILEVER, Anglo-Dutch food and consumer products group, agreed to sell two Continental transport companies to the Swiss forwarding agent group, Danzas of Basle. The deal, at an undisclosed price, involves Paris-based Satem and Sad of Madrid.

ECHO BAY MINES, leading Canadian gold producer, suffered a fall in net earnings to C$18.1m (US$12.8m), or 46 cents a share, in 1985 from C$23.9m, or 64 cents a share, the previous year. The company said the fall was entirely because of a US$56 per ounce decline in the average price of gold sold.

MOËT-HENNESSY, leading French champagne and cognac group, is increasing its capital by FFr 49.8m ($6.7m) through a scrip issue involving one new share for every five shares held. Page 21

CIT-ALCATEL of France won a FFr 1bn ($135.1m) contract to build a telecommunications factory in India. Page 6

MERCK, US pharmaceuticals group, registered a 10 per cent increase in net profits last year, mainly because of better cost controls, productivity gains and an improved product mix. Page 21

CHAMPION International, major US building materials, paper and packaging group, bounced back into the black in 1985 with net profits of $163m compared with a loss in 1984 of $8m. Page 21

SANDOZ, Swiss chemicals group, signed an agreement with the Chicago company Farley/Northwest Industries to buy its agro-chemicals subsidiary Velsicol Chemical for $200m. Page 21

Stunned Reagan postpones State of the Union speech after Challenger crew die in fireball

Space shuttle explodes

BY REGINALD DALE IN WASHINGTON AND TERRY DODSWORTH AND WILLIAM HALL IN NEW YORK

A STUNNED President Ronald Reagan last night postponed his annual State of the Union address to Congress in the wake of the shattering loss of the Challenger space shuttle which blew up with seven crew on board shortly after lift-off.

The President said that it was "not appropriate" go ahead with his speech which would have been nationally televised from Capitol Hill. He despatched Vice President George Bush to the Kennedy Space Centre in Florida bearing his personal message and said that he would address the nation on the catastrophe from the Oval Office later last night.

The explosion aboard Challenger happened only a little over a minute after the space mission began in what appeared to be a perfect lift-off. Those viewing the fiery explosion said there was no way the crew could survive.

The first signs that something had gone wrong came when the Nasa flight controller tracking the launch said in a studiedly calm voice that officials were "looking very carefully at the situation. Obviously there is a major malfunction."

Within minutes, Nasa reported that recovery teams were heading out into the Atlantic in line with recovery procedures. The Nasa official added "the vehicle has exploded ... we are awaiting word from any recovery forces downrange."

There was a stunned reaction across America where millions of people were watching the launch on TV. The mission had been built into a major media event because the shuttle flight was to have taken into space the first private US citizen, Mrs Sharon Christa McAuliffe, a New Hampshire teacher.

The explosion produced an even greater sense of shock because the shuttle missions in the last year or so had begun to seem routine. The disaster is the worst in the history of manned US space flight which has never previously lost a manned spacecraft in flight.

The last tragedy occurred in 1967 when three astronauts lost their life after an Apollo space capsule caught fire on the launch pad.

After postponing his State of the Union speech, President Reagan pledged yesterday that the US space programme would continue once the shuttle's problems had been fully investigated and corrected – not least as a tribute to the seven "courageous Americans" who died aboard the shuttle.

In the immediate aftermath of the disaster, the White House indicated that Mr Reagan's address to the Congress would go ahead. However, after consultations with Mr Tip O'Neill, the House Speaker, and Mr Robert Dole, the Senate majority leader, the President took the highly unusual step of putting off the speech until next Tuesday.

There was no clear idea yesterday what had gone wrong with Challenger. Nasa said that the explosion occurred at a point when the astronauts were beginning to throttle their engines up to maximum thrust. It also coincided with a time Challenger was to enter maximum aerodynamic pressure when wind and other atmospheric conditions placed great strain on the outside of the vehicle.

In a slow-motion video rerun of the explosion, it was difficult to determine the source of the blast. When the huge fuel tank with nearly 500,000 gallons of volatile propellant ruptured, it tore Challenger into pieces.

Nasa said the fine pieces of debris continued to fall into the impact area in the Atlantic for nearly 45 minutes, and recovery boats and aircraft had to wait until it stopped before entering the zone.

Paramedics leaped into the water in an effort to find any survivors. After the explosion the two solid fuel booster rockets separated and continued to fly out of control in the clear sky, trailing tails of smoke before they fell into the sea.

Moment of disaster, 72 seconds into flight

One of them was seen floating down on its parachute. Television pictures of the impact area relayed from the helicopter showed no evidence of any large pieces floating in the water.

Experts said that the tragedy would likely lead to a serious setback for Nasa's ambitious space shuttle programme, although President Reagan stressed yesterday that the US space effort must continue.

At the very least it is almost certain to take some time to track down the cause of the explosion, particularly since the spacecraft appears to have completely disintegrated before it fell into the Atlantic. Rescue work was delayed because debris from the Challenger continued to fall in the rescue area some 45 minutes after the explosion.

Mr Reagan had planned to paint a glowing, optimistic picture of the US, in which he was to refer to the space programme as America's "new frontier."

Ironically, he had also written in a passage celebrating the presence on Challenger of Mrs McAuliffe.

Asked what he would say to the thousands of schoolchildren who had been eagerly following Mrs McAuliffe's exploits, Mr Reagan said that they should regard the shuttle crew as pioneers who had sacrificed their lives on the great frontier, the only frontier the USA now had. Nothing should stop the US from going forward with the exploration of that frontier, he said.

The dramatic explosion of the shuttle, spectacularly captured by television, hit the US with the kind of emotional shock wave evoked only by the most horrific and sudden national disasters. In the last five years, it was comparable only to the impact of the assassination attempt on Mr Reagan of March 1981 and the destruction of the US marine barracks in Beirut in October, 1983.

This time, however, the presence of Mrs McAuliffe aboard the ill-fated flight made the tragedy even more poignant for millions of Americans. She was not, after all, a professional astronaut who had made a career out of danger.

The nation had already taken the smiling, attractive, if sometimes slightly nervous Mrs McAuliffe to its heart. She had been planning to conduct televised classes from space, with the theme, she said, that "space is for everyone." Mr Reagan had personally announced her selection out of more than 11,000 applicants at a White House ceremony last year.

Continued on Page 20

Schoolteacher's triumph ends in tragedy; Major setback for Nasa, Page 4

Disaster silences Mission Control

By Ian Hargreaves and Max Wilkinson in Houston

IT WAS the day the voice of Mission Control fell silent. For hours after Space Shuttle Challenger vanished in a shower of debris into the Atlantic Ocean, those in charge of the flight at the Lyndon B. Johnson Space Centre were in a state of stunned silence.

Even the live television footage of the accident was absent from the ubiquitous monitor screens, at Nasa's Building II where so many space adventures have unfolded. "Maybe we think it just bad taste to show it right now," one junior official said.

Behind the scenes, Flight Director Jay Greene, the experienced Nasa official who took charge of the 25th space shuttle mission seconds after it lifted off from Cape Canaveral over 1,000 miles away in Florida, was nowhere to be seen.

"I've seen disasters before, but there has been nothing as traumatic as this," said one sobbing reporter, who has followed space events in Houston for two decades. "This was just so personal. I was talking with these people, across a table only last week."

It should have been the day the US space programme became routine. All news interest had centred on the presence on board of Mrs Christa McAuliffe, an energetic 37-year-old social sciences teacher from New Hampshire. This was to have been the day space travel became safe for civilians.

Sponsored by hundreds of thousands of American schoolchildren, she carried with her from Cape Canaveral their written pledges to work for world peace, under the sponsorship of the Washington-

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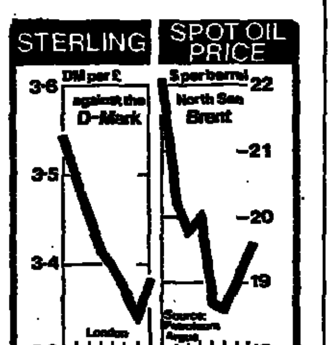
£ recovers sharply, easing pressure for higher UK rates

BY GEORGE GRAHAM AND DOMINIC LAWSON IN LONDON

THE POUND recovered sharply on foreign exchanges yesterday, easing immediate pressure for higher UK interest rates as oil prices strengthened and worries about the political effects of the Westland Helicopter affair receded.



Interest rates in the money markets fell back into line with current bank base lending rates and foreign exchange dealers said the currency markets were no longer concentrating on the prospect of an early rise in base rates.

The Bank of England's sterling index rose at one stage by 1½ points from Monday's closing value of 73.7, before falling back slightly in the afternoon. The pound gained in value against the dollar and more strongly against European currencies, especially the D-Mark.

In Parliament, however, Mrs Margaret Thatcher, the Prime Minister, said that now was not the time for the UK to join the exchange rate mechanism of the European Monetary System.

The pound closed at $1.41, up nearly 2 cents on the previous day's close. It gained over 4 pfennigs against the D-mark to finish the day at DM 3.38. Shares and Government securities both made gains on the day as money market interest rates eased to 13⅞ per cent.

The Financial Times Ordinary index was up 16 points at a best ever 1,155.4, while the FT-SE 100 share index also rose sharply to end 21.3 higher at 1,426.3.

The Bank of England left its dealing rates unchanged as it supplied around £200m of liquidity to the money markets.

In the City of London, brokers said the likelihood of a rise in base rates from their present level of 12.5 per cent had receded for this week, but some analysts believed the Government had not yet averted the pressure on interest rates.

Mr Stephen Lewis, economist at stockbrokers Phillips & Drew, warned that oil prices were still more likely to fall than to rise, and that statistics on the money supply and official reserves due to be announced next week could cause worries about the Government's monetary policy.

In thin and nervous trading, however, the North Sea oil price emerged above the $20 a barrel mark for the first time in a week. But after a number of deals around $20.20, the market was hit by comments by Mrs Thatcher that the UK Government would not intervene in North Sea production levels.

Last week Sheikh Ahmed Zaki Yamani, the Saudi Arabian Oil Minister, said cuts were needed in UK production to avoid a fall in the oil price below $15.

Pressure on Japanese discount rate, Page 20; Currencies, Page 33

Bonn looks for 3% growth

By Peter Bruce in Bonn

THE WEST GERMAN Government is expected tomorrow to announce a set of optimistic economic forecasts for 1986 – its last year in office before the general election in January next year – including overall economic growth of 3 per cent compared with 2.7 per cent in 1985.

The Economics Ministry's annual economic report, which has been generously leaked ahead of publication, also forecasts an increase in the country's balance of payments from the record DM 38.6bn ($16bn) recorded last year to DM 48bn in 1986. Price increases, the report is understood to say, should be held to between 1.5 per cent and 2 per cent, after average inflation of just over 2 per cent during last year.

The Government expects investment in the private sector to rise by between 8 per cent and 9 per cent and in the public sector by 4 per cent. Both these forecasts are lower than last year's investment forecasts, which proved to be slightly over-optimistic.

The Economics Ministry believes that about 300,000 jobs will be created during the year, although unemployment, it says, will fall by only 150,000 to 2.15m. West German unemployment reached record post-war totals for every month of 1985.

The ministry's report, which was discussed at a sitting of the so-called "economic cabinet" in Bonn on Monday night, is likely to be passed by the full Cabinet today. At Monday's meeting, it is understood that Mr Karl Otto Pöhl, president of the Bundesbank, forecast much more vigorous growth of 3.5 per cent for this year. Mr Pöhl is also reported as saying that there is still scope for a slight fall in West German interest rates.

Continued on Page 20

Current account booms, Page 2

Goodrich–Uniroyal tyre merger

B. F. GOODRICH and Uniroyal, two of the leading US tyre manufacturers, are planning to combine their tyre businesses in a 50-50 joint venture which will become the second-largest manufacturer of its kind in the US, writes Terry Dodsworth in New York.

The deal, announced in New York yesterday, comes in response to intensifying foreign competition in the US tyre market, where imports have been capturing an increasing market share in recent years, expanding from 7 per cent of replacement sales 10 years ago to about 25 per cent today.

In addition, both companies argued yesterday that longer-lasting tyres and lighter cars were causing a steady decline in the growth of the replacement market, while production efficiencies had been adding to capacity faster than the closure of obsolete plants.

Mr John Ong, chairman and chief executive of Goodrich, said: "We are convinced that only strong competitors will survive in this market over the next decade. This transaction will establish a viable US competitor that can maintain American jobs in a very tough environment."

The combination of two companies in this way, with executives from both companies seconded to run the joint venture, is virtually unprecedented in recent US industrial history and would have been expected to attract keen attention, and perhaps opposition, from the anti-trust authorities. However, both companies said yesterday that

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W. German current account surplus soars to DM 38bn

BY JONATHAN CARR IN FRANKFURT

WEST GERMANY'S current-account surplus soared to a new record of DM 38.6bn ($16.16m) in 1985 – more than double the DM 17.8bn of the previous year, the federal statistical office said.

As already announced, there was also a record surplus on visible trade exchanges of DM 73.28bn, compared with the DM 53.97bn of 1984.

West Germany's visible exports rose by about 4 per cent in nominal terms to DM 537.1bn, while visible imports were up by a nominal 3 per cent to DM 463.6bn. In volume terms, exports increased by 6 per cent and imports by 4 per cent.

In December alone, West Germany ran up a trade surplus of DM 7.9bn, compared with one of DM 6.1bn a year earlier, and a current-account surplus of DM 6.8bn, after DM 3.4bn.

During this year the surpluses are widely expected to decline. For one thing, the rate of increase in imports is expected to grow while that of exports may fall, partly because of the strength of the D-Mark against other currencies. For another, the deficit on "invisibles," for example tourism and payments to the European Community budget, is likely to rise – thus cutting the current-account surplus.

Arms chiefs to discuss role for France in EFA

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

THE ARMAMENTS directors of Britain, Germany, Italy, Spain and France are to meet in Paris next week to explore further the possibility of French involvement in the four-nation European Fighter Aircraft (EFA).

The meeting will be the first held at such a senior level since France indicated its continuing interest in the new fighter last autumn.

The initial French approach was coolly received, since France had pulled out of exhaustive negotiations on the fighter just before agreement was finally signed on August 2. There were fears that French involvement could result in delays to the programme, now half way through its project definition phase.

Officials say that next week's discussions are expected to centre on the possibility of French involvement in EFA at three different levels, none of which envisages either actual French investment in the £20bn ($27.8bn) programme or purchases by France of any of the new aircraft when they are produced in the mid-1990s.

What appears to be envisaged is co-operation between the planned new French Rafale fighter project and the four-nation aircraft, particularly on the possibility of designing common equipment and components, and the sharing of technology involved in developing new systems for the two aircraft.

While British officials see the talks as significant, particularly in the light of the doubts which have surfaced in Europe on defence co-operation following the resignation of Mr Michael Heseltine, the former UK Defence Secretary, in the wake of the Westland affair, they do not appear to rate highly the chances of concrete co-operation on the new fighter.

Danes to hold referendum on Community reforms

BY HILARY BARNES IN COPENHAGEN

DENMARK WILL hold a referendum, probably on February 27, on whether to accept the reforms of the EEC negotiated in Luxembourg last month. This was decided by a vote in Parliament yesterday.

The opposition Social Democratic Party, whose refusal to support the reforms has caused the crisis, abstained from the vote. Their affairs spokesman, Mr Ivar Noergaard, said, however, that the party will accept the referendum verdict, although the result will not be legally binding on Parliament.

The Social Democrats swept aside guarantees, secured by Mr Uffe Ellemann-Jensen, the Foreign Minister, that national measures for protection of the environment or working conditions will always take precedence over measures by the Community to remove internal obstacles to trade. Fear that this would not be the case is one of the two reasons the Social Democrats have given for rejecting the reforms. The other is that the European Parliament will be given more power.

Mr Poul Schlueter, the Prime Minister, said he was in the extraordinary position of being able to recommend the reforms to Parliament with the backing of virtually all the rest of the EEC's Socialist and non-Socialist parties. The other Nordic countries were also anxious for Denmark to sign, he said.

Banks told to cede share of Polish debt repayments

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

POLAND HAS told Western commercial banks they must forego up to $800m in principal repayment this year, if Western government demands for equal creditor treatment is to be met.

This was put to bank representatives in Vienna by Mr Jerzy Malec, a senior official of Bank Handlowy, the Polish foreign trade bank. Western governments—which are owed bulk of Poland's $29m debt—complain that while the banks have begun to get some capital repayment from Poland, they are not getting interest arrears paid in full. Warsaw missed last month's deadline for a $550m interest payment to the governments.

Western bankers did not respond to Mr Malec's proposals at yesterday's meeting, which they stressed was not a negotiating session. "We just listened to what the Poles had to say," said Mr Gabriel Eichler of Bank of America. He pointed out it was the bank creditors' first occasion to hear direct from Polish officials about Poland's 1985 economic results and 1986 prospects. They last met in summer 1984 when the rescheduling of Poland's 1984-87 debt was agreed.

The Western governments' claim for equal creditor treatment came only late last year, because only then did they come close to catching up with the banks on rescheduling, by agreeing terms on repayment of 1981-85 official debt. But Poland's disappointing economic performance last year meant it did not have enough cash to meet even rescheduled payments to both creditor groups, banks and governments.

This year Poland faces a total debt servicing burden of some $5bn, about half of it interest. According to official Polish projections, only a $2bn surplus on visible and invisible trade and perhaps a small amount of new bank credit can be counted on to meet this.

The essence of the Western governments' position is that they want the banks to take less of what little hard currency Warsaw has, so as to leave more for them, the governments. This may mean the banks agreeing to revise their 1981 debt rescheduling accord, under which they got an initial $265m capital repayment last autumn and are due to get a further $800m this year.

The banks seem, in a general sense, disposed to help out the Poles, who, Mr Eichler stressed yesterday, had met all rescheduling terms on commercial debt.

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.
FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Andriana Ierodiaconou counts political cost of Greece's austerity programme

High flying Pasok brought down to earth

NOT one of Greece's opposition parties, whether to theleft or to the right, inspires voters with the feeling that if it were elected to power the country would be better governed, and that is the sum of the good news for Dr Andreas Papandreo's ruling "Panhellenic ocialist Movement" (Pasok).

Just seven months ago, the Socialists were riding high, having been re-elected to a second four year term in power with 46 per cent fo the vote. This uses only marginally less than their score in their first-ever victory in 1981.

Today, polls show that the government's popularity has plunged to an all time low. In the view of political observers Pasok is in the throes of its most serious crisis ever, both in government and in its meteoric eleven year career as a political party established by Dr Papandreou after the fall of the seven year military junta, in 1974.

On the face of things the crisins has largely to do with the government's clumsy handling of their post election economic U-turn. It has deeper and more stubborn roots, however.

The socialists fought and won the June election campaign under the slogan "vote Pasok, for even better days." Like "Allaghi" (change) in 1981, the new catch-phrase accurately tapped the hope of the average Greek voter, who and enjoyed a rise in real income in the Socialists' first term and felt encouraged to expect more of the same if they won again.

When, after a summer of indecision and cabinet shuffling disconcertingly reminiscent of the period just after the socialists first election victory, Dr Papandreou's first major policy announcement turned out to herald two years of stringent economic austerity, these hopes were dashed.

THE GREEK Economy Ministry has set up a 50-strong secretariat to monitor public sector bodies with the aim of improving their efficiency and ensuring that they keep to the Government's tight wage and spending targets, writes Andriana Ierodiaconou.

The country's austerity budget seeks to reduce the overall deficit of state enterprises by an ambitious 24.6 per cent this year. The intention is to trim it from Dr134bn (£663m) to Dr 101bn. Mr Costas Simitis, the Economy Minister, said setting up the secretariat was the first attempt at centralised government control and co-ordination of the activity of public sector enterprises.

More important, the memory of the campaign, and of the fact that for the first half of 1985 the government had insistently advertised that economic recovery had arrived to stay, contributed to a sense among the general public of having been deliberately and masively deceived beyond the call of electoral rhetoric.

Nor was the government's past record of any help in counteracting this impression. Although they may not care about the substance of the issues involved, the Greeks are well aware that the Pasok government signed an agreement for the continued operation of the four US bases in Greece and then said they were closing the bases down. They asured former President Constantine Karamanlis at the 11th hour of their support for his re-election only to astonish the nation and the majority among their ranks by switching horses at the last minute. This is to cite just two relevant examples.

There have also been convulsions on the Pasok front itself, where all in the party hierarchy but Dr Papandreou and a small coterie of economic and political advisers were more or less ambushed by the austerity measures. By way of preparation, Dr Papandreou had deposed a number of potential opponents. These included former economy minister, Mr Gerassimos Arsenis, who was also made scapegoat for the economic policy of the first term, and, at the end of September, eight leading members of Pasok's executive bureau, the top decision making organ of the party.

"Pasok rose to power in such a short time thanks to our grass roots organisation — that is members going to the village coffee shop and actively arguing our case. Now they feel they are just required to rubber stamp decisions taken by a few people at the top. They don't know themselves what to think of the economic measures, how can they take on critics?" one disaffected Pasok member said.

Trying to cope with the stormy reaction, the government has blundered from one tactical error to the next. When Socialist trade unionists came out openly against austerity, they were promptly expelled from the party. When a majority of dissident Socialists and opposition communists in the leadership of Greece's trade union congress, GSEE voted down the loyalist socialist president, the crisis was manoeuvred into the courts, where the majority's decisions were invalidated.

When ERT-1, the main state television channel, attempted to give viewers frank coverage of the anti-austerity strikes, the government clamped down, provoking the resignation of the top directors and the news editor, as well as that of Mr Costas Laliotis, Greece's 34-year-old minister for the press and television, who also acted as government spokesman. To the Socialists even greater detriment, Mr Laliotis, one of the deposed executive bureau eight's best and brightest with considerable following in the youth movement, announced his simultaneous retirement from active party life.

Worse followed when the government then decided to abolish overnight the government spokesman's established daily press briefing. A revolution predictably followed, joined by pro as well as anti-government newspapers, who were unimpressed by assurances that regular meetings with Dr Papandreou himself would be established as a compensation.

Within a week the government backed down with a permanent dent in its popularity among the press. Similarly, it took weeks of badgering by opposition parties for the government to agree to a debate in parliament, in the rare presence of Dr Papandreou, on fundamental policy issues.

As a result, Pasok's successfully promoted image of the democratic Greek political force par excellence has become tarnished. "What would we all have said had all these things been done by the Conservatives" a leading left-wing newspaper commentator wrote in a November article entitled "Are There More Margins For Authoritarianism?" Rifts within the party are running deep, with personalities such as Arsenis or Laliotis serving wittingly or unwittingly as poles of disaffection.

Among the general public, the mood is one of uncertainty and frustration, as disillusionment with Pasok's performance is coupled with an urgent awareness of the lack of a convincing political alternative. Ultimately, all conversations in Greece lead back to the economy. How, bankers and businessmen ask, in the obvious absence of a positive public response to the Government's call for a national effort to pull the economy back from the brink, can productivity improve and investments revive so that the October austerity measures won't have been imposed in vain?

French sixth TV channel approved

By Paul Betts in Paris

THE FRENCH Socialist Government yesterday gave the go ahead for a new private television channel in France which will concentrate on music programmes and is due to come on the air before the end of February.

The latest venture is part of the French broadcasting revolution following President Mitterrand's decision to deregulate television and radio broadcasting

The new music network will become the country's sixth nationwide television channel. It will be free to viewers and will compete against the country's existing three state-owned television channels (TF1, Antenne 2 and FR3), the Canal Plus pay-television channel and the new private commercial Fifth Channel due to start its first programmes on February 20.

Mr Georges Fillioud, the French secretary of state for communications, said yesterday the concession to operate the new sixth channel had gone to a group including Films Gaumont, the large French film group, a private radio station NRJ and two advertising groups Publicis and Agence Gilbert Gros.

There had been fierce competition for the concession and the group led by Gaumont edged out the large Luxembourg - based broadcasting group Compagnie Luxembourgeoise de Telediffusion (CLT), and another rival group of investors including the UGC film concern and the Roux - Seguela advertising agency.

The French Government's decision yesterday represents another blow for CLT's broadcasting ambitions in France after the failure by the Luxembourg-based group to secure the concession to operate the new private Fifth Channel. This went to a group of investors led by Mr Jerome Seydoux, chairman of the Chargeurs transport company, and Mr Silvio Berlusconi, the Italian private television entrepreneur.

The Government's choice of the Seydoux-Berlusconi tandem for the Fifth Channel has provoked a major political storm in France with the opposition threatening to disband the new commercial channel if, as is widely expected, it gains a majority in the National Assembly in the March general elections.

Mr Fillioud said yesterday that the new sixth channel will have to devote at least half its programme to musical programmes.

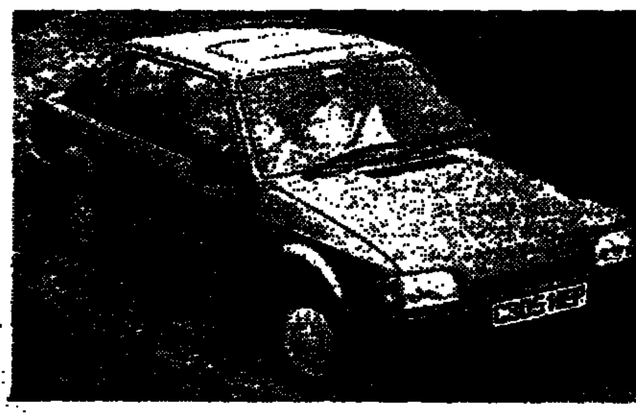
Ford gives Escort and Orion cars a facelift

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD OF EUROPE has given its best-selling Escort and Orion range a facelift and, at the same time, will become the first to offer an anti-lock braking system on a front-wheel-drive, medium-priced, family car.

The vehicles will also have "lean-burn" engines to give improved performance and economy while reducing exhaust emissions. Two of the engines in the range can be tuned to run on lead-free fuel, an important marketing advantage in West Germany.

The Escort, a medium-sized hatchback, was launched as Ford's first "world car" in 1980, and was followed three years later by its sister model, the Orion, which has a boot.



Ford's new Escort Ghia

Produced at Saarlouis in West Germany, Halewood in England and Valencia in Spain, the Escort at one time vied with the Volkswagen Golf as Europe's best-selling car, with annual sales of about 500,000 and 4-5 per cent of the market.

Last year, newer entrants, such as the General Motors' Opel Kadett/Vauxhall Astra and the Peugeot 205 pushed it to about fifth place. However, it has been the best-selling model in Britain for four consecutive years, taking 8.6 per cent of total sales in 1985. In West Germany, the Escort has held a 4 per cent share for most of its life.

Ford hopes to boost its image as a producer of high-technology vehicles by offering on the anti-lock braking system developed jointly with Lucas Girling in the UK. However, it will be fitted as standard equipment only on the Escort RS Turbo. Otherwise, it will be offered as an option at a cost of about £300.

The company has exclusive rights to the system for the rest of this year. BL's Austin Rover subsidiary is among others who might fit in later. The system does not use expensive electronics but mechanical sensors, fitted to the front drive shafts.

Ford is also offering a range of six "lean burn" petrol engines from 1.1 litres to 1.6 litres, produced either at Bridgend in Wales — which should provide the vast majority — or Valencia. The 1.6-litre diesel, built at Dagenham in the UK, continues to be offered.

The new models have a more aerodynamic front end and a new rear bumper. The interior has been completely revised, with a new fascia, an electrically-heated windscreen, and high-security door and steering column locks.

They go on sale at the beginning of March at prices probably 2-4 per cent above current ones.

Lubbers seeks spending cuts

BY LAURA RAUN IN AMSTERDAM

THE DUTCH Prime Minister, Mr Ruud Lubbers, yesterday suggested more cuts in government spending or the scrapping of some industrial subsidies to fill the Government budget gap expected to be left in 1987 by plunging prices for natural gas.

The Cabinet met in a special session yesterday to consider ways of offsetting the sharp decline in gas revenue, which now accounts for 10 per cent of total state income. Gas prices have been falling dramatically on plummeting oil prices—to which gas is linked—and the weaker dollar.

Mr Lubbers told parliament after the meeting that an extra Fl 5bn (£1.1bn), or nearly 3 per cent of this year's government expenditures, must be found in 1987 to keep the budget deficit from widening.

He suggested first a reduction in government outlays, as his centre-right coalition has done for the past four years. If that failed sufficiently to narrow the deficit, then subsidies such as those for energy costs, investment and stocks should be pared or scrapped. The Prime Minister insisted that this year's budget was not jeopardised by the gas problems.

The gas problem promises to become a highly politicised issue in the run-up to the May 21 Dutch general elections, with a chasm already appearing between the coalition partners, the Christian Democrats and the Liberals.

Mr Lubbers and his Christian Democrat Party have been accused of playing "panic football" by the right-of-centre Liberals, who adamantly oppose any tax increases.

But Mr Lubbers, whose concern over the "national impoverishment" is shared by the opposition Labour Party, is seen as laying the groundwork for an easing of pro-business policies during his first term.

The next step in preparing the skeletal 1987 budget, which will be fleshed out by the new Government, will be in March when the Finance Minister, Mr H. Onno Ruding, reports more details on the outlook for next year.

'Front Line' talks for EEC ministers

By Robert Mauthner, Diplomatic Correspondent

THE FOREIGN MINISTERS of the European Community are expected to renew their call on the South African Government to open a genuine dialogue with the country's black community, when they meet their colleagues of the African "Front Line" states in Lusaka on February 2-4.

The meeting, the first of its kind between the EEC and the Front Line states Zambia, Zimbabwe, Tanzania, Botswana, Angola and Mozambique, stems from a proposal made in April last year by the then President Julius Nyerere of Tanzania.

Britain and the Netherlands will be represented at the meeting by their Foreign Ministers, Sir Geoffrey Howe and Mr Hans van den Broek, the current chairman of the EEC's Council of Ministers. Most of the other member countries are expected to send junior ministers or senior officials.

The aim of the meeting is to have a wide-ranging exchange of views on southern African problems.

The European and African ministers are expected to repeat their call for a lifting of the ban on the African National Congress (ANC) by the Pretoria government, the release of Mr Nelson Mandela, the ANC leader, the complete withdrawal of South African troops from Angola and the independence of Namibia.

Bonn-Paris call at security talks

BY DAVID BROWN IN STOCKHOLM

THE foreign ministers of West Germany and France yesterday called for a great "leap forward" in the 1975 Helsinki Final Act provisions aimed at reducing the risk of war in Europe.

In a joint appearance at the opening of the ninth session of the European Security Conference here, Mr Hans Dietrich Genscher and Mr Roland Dumas expressed confidence that it could produce the first substantive East-West security agreement since 1979 before it adjourns later this year.

Both expressed their govt ment's interest in Mr Mikhail Gorbachev's proposal for the complete elimination of nuclear weapons within 15 years.

Mr Genschere promised the "constructive new elements" in Moscow's position would "be met with constructive responses." The French minister called the proposal "a step in the right direction," adding that France was prepared under certain conditions to take part in negotiations leading to such an agreement.

However, Mr Dumas continued that "the problem of conventional armaments cannot receive only secondary priority as compared with nuclear negotiations."

Their appearance was aimed at demonstrating a "fundamental convergence" on security and foreign affairs.

The Maltese Prime Minister, who also spoke yesterday, aired potentially troublesome demands for further measures to improve "Mediterranean security," pointing to the current dispute between the US and Libya. Similar demands held up for four months the formal closing of earlier talks in Madrid.

Green aims to upset Austria's political set-up

By Patrick Blum in Vienna

THE "GREEN" candidate in Austria's forthcoming presidential election, recently portrayed by a cartoonist in the guise of a fiery Joan of Arc battling against the evil ways of the country's political establishment, is an unlikely figure for such a role.

Ms Freda Meissner-Blau, at 58 is handsome, mild-mannered and soft spoken. She strikes a somewhat patrician figure, but although she dismisses the exercise as absurd, she has already upset the political establishment deeply and may force an unprecedented second round of voting.

She will not win the contest on May 4 but is likely to win enough votes to prevent either candidate of the two main parties from winning an absolute majority. Both the conservative People's Party and the ruling Socialist Party have taken her campaign as a strong enough threat to accuse her of serving the interests of their opponent, a charge she dismisses.

'Trojan horse'

"The Socialists say that I will make it easier for the Conservatives to win, while the Conservatives say that I am a Trojan horse for the Socialists. The truth is that I stand for the social movement in this country," she says.

If she wins enough votes (6 per cent or more) to force a second round, she will not recommend a vote for either of the two big parties' candidates. "It just wouldn't make sense. People who vote for me are sufficiently adult to know what to do." She believes that a majority of her supporters will deliver a blank vote in a second round of voting.

A leading campaigner on environmental issues, Ms Meissner-Blau played a prominent role during the conflict over the Hainburg dam project in 1984 which resulted in the Government having to abandon it. For her pains, she found that she was no longer welcome as a freelance journalist on the state-owned television network for which she occasionally used to act as moderator in current affairs programmes.

The experience has hardened her. "I have strong anti-establishment views and these have become stronger because of the way the establishment is now," she says.

She says she is standing against bureaucracy and against the way the two parties collude and abuse power, and for democracy, nature and people's rights. "Parts of our democracy are increasingly being taken away from us."

While she is still a member of the Socialist Party which she joined in the 1970s, she intends to give up her membership when she starts her campaign officially next month.

Her participation in the presidential race, usually a subdued and a political affair, is expected to raise the political temperature. She will seek to force the main candidates to address issues. "I want to prove that in this country it is no longer possible to win a absolute majority without considering the claims of the new social movements," she says. These include the environmentalist, the peace and the women's movements.

One of the deciding factors convincing her to run is the expected candidature of Mr Otto Scrinzi, a dissident member of the Freedom Party, the junior partner in the government coalition, who is known for his extreme right-wing views. "It just would be impossible to allow the protest vote to go to someone with such views," she says.

Confusion

Many Austrians are still confused about their country's role during the Nazi period, she says. "We have never faced our own dark past but instead pretend to ourselves that we were just victims." That is why someone with Mr Scrinzi's views can still appeal to people, she says.

Ms Meissner-Blau's supporters are found among the young and the elderly, groups with less vested interests to defend. She may prove an attractive choice for many women, although she says that she does not intend to make an issue out of being the only woman candidate.

If her campaign proves a success, it will act as a strong incentive for Austria's disunited Greens to patch up their quarrels and present a unified front at the general election due by spring next year. The chances are that they would then be represented in Parliament as having helped decimate the small Freedom Party which trails behind in the polls with around 3 per cent of support.

As none of the main political parties can hope for an absolute majority, the scene would be set for a grand coalition between the Socialists and the Conservatives with the Greens as the opposition. This is a prospect which, she says, would inaugurate a new era in Austria.

British company to beam the Kremlin's message around the world

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

THE DAILY 40,000 word English language service of Tass, the Soviet news agency and authoritative Kremlin mouthpiece, is soon to be beamed electronically to customers around the world of Datasolve, a British information technology company.

Signing the agreement with Tass yesterday at the Soviet embassy in London, Mr Peter Cotton, Datasolve's director of electronic publishing, hailed it as "a major coup for the British online information industry." It is the first such agreement Tass has reached, and will add some 70 Tass news stories a day to Datasolve's World Reporter database that already carries major international news sources, including the Financial Times.

Mr Yuri Romantsov, Tass's deputy director general, stressed the widest political value of the deal "to all those who take an interest in the foreign and domestic policies of the Soviet Union."

In the reporting and processing of Tass copy by Western media, "distortions sometimes happen," he said. Now, Tass information would be available, "not through the edited summaries of newspapers and magazines, but directly, and in mull" to Datasolve subscribers.

Negotiations started two years ago, well before Mr Mikhail Gorbachev came to power last March. But the agreement is yet another facet of the new Soviet leader's stepped-up publicity drive.

Mr Romantsov underlined this yesterday, saying that while Mr Gorbachev's latest disarmament proposal was the "talk of the town" in many capitals, "the best way to study it was to go direct to the source" — the official Tass version.

Tass also wanted to expand its French, German, Spanish and Arabic services, but had not yet started any negotiations on similar electronic distribution, he said.

Datasolve subscribers, able to access the World Reporter service with a desk-top computer and a telephone at the cost of £1 a minute, will receive just the existing Tass English-language service, not the more comprehensive Russian service that feeds 4,000 newspapers, television and radio stations inside the Soviet Union and which frequently carries critical regional reports.

None the less, Tass has the virtue of being the conduit for speedy policy announcements by a Soviet leadership increasingly aware of its need to respond more quickly to world events. Tass frequently fills the role of a regular Kremlin press office, with reports that start "Tass is authorised to state . . ."

Mr Cotton said the new Tass service should be particularly useful for government departments, journalists, banks and companies in the West. He would not disclose the size of the royalty to be paid to the Tass agency, but said the new service would promote the World Reporter database, particularly in the US where it had 30 direct users, compared to "several thousand" worldwide.

Banks will insist on IMF role in Brazil debt rescheduling

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

COMMERCIAL banks will continue to insist on International Monetary Fund involvement in debt rescheduling regardless of their agreement to restructure the debts of Brazil, Mr William Rhodes, a senior Citibank executive said here yesterday.

In his first public comments on the deal with Brazil—which has no IMF agreement—Mr Rhodes characterised it as a short-term arrangement which will later be developed into a full-scale multi-year rescheduling.

"When we are looking at new money and longer term arrangements we feel there should be a presence of the IMF," he told a Press conference.

Mr Rhodes chairs the advisory committee of leading creditors which earlier this month reached outline agreement with Brazil on a seven-year restructuring of debts falling due in 1985 and an extension till March next year of 1986 maturities.

Negotiations on specific details will resume in New York next week and should be completed by the end of February, he said.

Earlier in a speech to a debt symposium sponsored by the Inter-American Development Bank and the International Herald Tribune, Mr Rhodes reiterated his support for the so-called Baker initiative for easing the developing country debt problem and said banks were working on a range of new lending instruments.

These include facilities for on-lending rescheduled funds and for loans with equity options, he said, but gave no details.

Mr Enrique Iglesias, Uruguay's Foreign Minister and a key figure in the Cartagena group of leading Latin American debtors, called at the symposium for broad based structural changes that would promote growth.

"In the majority of our countries the debt problem has been administered but not solved," he said. But he added that Latin America would need new cash solutions while structural changes was under way.

The solution also did not entirely depend on Latin America itself as interest rates and trade opportunities were dependent on the policies of industrial countries.

A 3 percentage point cut in interest rates and a return to the terms of trade prevailing at the start of the decade would help the region's balance of payments by a total of $25bn a year.

IADB seeks commercial bank help, Page 30

Argentina in bid to revive talks on Falklands

By Jimmy Burns in Buenos Aires

ARGENTINA'S AMBASSADOR to the US, Mr Lucio Garcia del Salar, has been recalled to Buenos Aires to help revive Argentine efforts aimed at bringing about a negotiated settlement to the issue of the Falkland Islands.

Buenos Aires has been resigned to an impasse with Britain ever since Mrs Thatcher's Government refused to heed last November's United Nations general assembly vote calling on both countries to resume negotiations on all aspects over the islands.

However the appointment of one of Argentina's most experienced and internationally respected senior diplomats as a "special adviser" to Mr Dante Caputo, the Argentine Foreign Minister, is expected to bring about a new diplomatic offensive in the coming months.

Foreign Ministry officials confirmed yesterday that although Mr del Salar officially had a wide brief as a "roving ambassador," the "Malvenas" would be a "top priority."

Stewart Fleming explains why many analysts are bullish on the economic outlook

Optimists to the fore on US economy

WHEN US Treasury Secretary James Baker gives the congressional Joint Economic Committee his assessment of the outlook for the US economy today he should have no difficulty striking an optimistic note in harmony with the upbeat assessment of the State of the Union offered last night by President Ronald Reagan.

Mr Baker be able to echo the judgement of many private economists that, at least in the short term, the US economy is likely to perform rather better than seemed likely a few months ago. He will also, if he wishes, be in a position to say some positive things about the outlook for the federal budget.

The Office of Management and Budget this week disclosed that it had revised its projections for the 1987 federal budget to show a deficit of just over $180bn (£130bn), significantly less than the $200bn plus which White House officials were expecting and politicians fearing just a couple of weeks ago.

Wall Street, however, while virtually unanimous in dismissing the threat of recession in 1986 remains deeply divided about the economic outlook with respected private economists projecting growth of anything from 2 per cent (Data Resources) to close to 4 per cent (Goldman Sachs Economics 3.7 per cent).

As interest rates have fallen, the optimists have been feeling a little more comfortable with their projections. The strength of the vigorous rally in both the stock and bond markets over the past three months is being cited by many as an important element in their projections.

Goldman Sachs Economics, for example, is saying the $500bn it estimates was added to the value of consumer's assets in the fourth quarter as a key element in its decision to revise upwards its forecast for economic growth in the first half of 1986. Goldman's economists argue that with their assets worth more consumers will be more inclined to run down their savings and will feel more comfortable with a higher level of debt. As a result, they agree, consumer spending will continue to underpin the economic expansion.

The economy, Goldman Sachs maintains, is shifting into higher gear and is moving towards the 4-5 per cent real GNP growth it has been projecting for 1986 on a fourth quarter 1985 to fourth quarter 1986 basis. This compares with the expansion of only 2.3 per cent in 1985 as a whole and the 2.4 per cent which the Commerce Department reported earlier this month for the fourth quarter.

It is not just these wealth effects which are being cited as encouraging however. Goldman, for example, notes that faster personal income growth in the fourth quarter, a pick up in consumer confidence and further projected declines in unemployment are elements which will keep the US economy moving forward. It is expecting only a slow and small improvement in the huge $140bn plus US trade deficit, the emergence of which was such a drag on the manufacturing sector and the overall economy in 1984 and 1985.

James Baker: upbeat outlook

Many economists are also projecting an upswing in stock building as a factor which could provide the economy with forward momentum. Current pessimistic projections for capital spending based on recent surveys of business plans are being questioned in view of expectations that corporate profits could rise by 15 per cent this year after apparently declining in 1985 and in the face of the surprisingly sharp fall in long-term interest rates since September.

Few economists are expecting much of a rise in interest rates (short or long term) at least until the second half of the year, not least because the Federal Reserve Board's room for manoeuvre seems to have been expanded by a decline in oil prices which should help to keep inflation under control.

The divergence amongst private economists about what 1986 will bring suggests that there are considerable uncertainties surrounding current projections even if the optimists are finding it easier to make their case today than they did a few months ago.

These reflect in part different interpretations of how the economy is currently behaving. Pessimists are arguing that consumer debt burdens are too high, and personal income growth too slow to allow consumer spending to keep expanding indefinitely. They question the likelihood that businessmen will adopt more adventurous stock building and capital spending policies in the fourth year of the cyclical economic upswing. Some worry about America's dangerous dependence on foreign capit:).

There are also a string of economic policy unknowns whose influence is hard to assess. The impact of the recently passed Gramm-Rudman-Hollings budget reform law is one. "The critical thing is what happens to Gramm-Rudman," says Dr William Griggs of the economic consulting firm Griggs and Santow.

Gramm-Rudman's potential is across-the-board percentage spending cuts could indeed prove to be a doomsday machine which, instead of forcing Washington into rational compromises on the deficit, may provoke a political crisis and an adverse reaction in the financial markets sometime in the summer. This could force economists to build more pessimistic assumptions into their computers.

Even before then the markets may have to absorb the adverse impact of the plunge in oil prices on some hard pressed financial institutions and on the increasingly precarious finances of debt-burdened Mexico, before the positive effects expected on economic growth begin to show up.

Such imponderables help to explain why, even though many economists say the chances of a recession this year are slight, they nevertheless suspect that the US economy is poised precariously.

San Francisco passes anti-apartheid measure

BY LOUISE KEHOE IN SAN FRANCISCO

SAN FRANCISCO has passed a law prohibiting the city from purchasing goods from companies that do business in South Africa.

The San Francisco law is clearly aimed at pressurising city companies to divest their South African business interests. It bars the city from buying goods or services from any company doing more than $5,000 worth of business in South Africa.

The anti-apartheid measure has been the subject of heated debate in San Francisco, with arguments about its cost, effectiveness and impact raging in the local business community.

Despite strong opposition from businesses and from Mrs Dianne Feinstein, city mayor, the law was passed by a unanimous vote. The anti-apartheid message of the law made it impossible to vote against, supporters and dissenters agreed.

The law's passage comes in the same week as South African President Botha is expected to elaborate his plans for apartheid reform. His speech may have a major impact upon the attitude of US banks toward the rescheduling of South Africa's $14bn overseas debt.

Increasing domestic pressure upon US banks from actions such as that taken this week in San Francisco may also be a major factor in the banks' decisions.

The Bank of America, San Francisco's major bank which handles the city government's numerous accounts, was however excluded from the new San Francisco law. Other loopholes allow companies with South African ties to do business with the city if the company is the only provider of a needed commodity, or if their price is significantly lower than other bidders.

At first, Mr John Farrell, city controller, estimated about $25m worth of city contracts were at stake with South African linked companies such as IBM, Chevron and the Arthur Anderson accounting firm. But several city officials said no one really knows how much divestment lies ahead.

The new law, which was passed by the city's board of supervisors, must now be signed by Mayor Dianne Feinstein, who has several times expressed her misgivings about the action. If she decides to veto the law, however, she faces the uncomfortable prospect of a voter-submitted ballot measure that could be even stronger than the package passed by the board of supervisors.

Arbitration body orders Canada bank settlement

By Bernard Simon in Toronto

A GOVERNMENT arbitration body has imposed a settlement to end one of the most bitter labour disputes in the Canadian banking industry.

The Canadian Labour Relations Board has instructed the Canadian Imperial Bank of Commerce (CIBC), the country's third largest bank, to sign a first contract with the fledgeling union of Bank Employees.

The board has also ordered an end to strikes by 210 workers at the bank's visa credit card centre and central mailroom in Toronto. The strike at the visa centre began more than seven months ago.

The union has hailed the imposition of the contract as a major breakthrough in efforts to organise Canadian bank workers. But the full impact of the decision will not be known until terms of the contract are disclosed, probably next week.

Nicaragua and Honduras seek closer links

By Tim Coon in Managua

HOPES HAVE been raised of a breakthrough in diplomatic relations between Nicaragua and Honduras following the inauguration of a new Honduran president, Mr Jose Azcona on Monday. In a short meeting with Dr Sergio Ramirez, the Nicaraguan vice-president, he agreed to keep an election campaign promise made last year to open bilateral talks with the Nicaraguan Government.

The talks will include a summit meeting with President Daniel Ortega of Nicaragua, as well as a series of meetings between foreign ministers, economic ministers and military chiefs of the two countries. The presidential meeting is expected to follow a wider summit of Central American presidents provisionally scheduled for May.

Relations between the two states have been tense and on occasion bordered on war, ever since the US-backed Nicaraguan guerrillas, or Contras, began operating from Honduran territory in 1981.

Three killed in protests against Haiti president

BY CANUTE JAMES IN KINGSTON

THREE people were shot dead in anti-government protests in Haiti in the northern city of Cap Haitien on the third consecutive day of public protests against the regime of Mr Jean Claude Duvalier, President for life.

Some 25 people were reported injured as the security forces attempted to quell the protests, mostly by young demonstrators.

Diplomats in Port au Prince, the capital, said yesterday more troops were being sent to Cap Haitien to deal with the trouble. Two of those killed in Cap Haitien this week were children. The third, a man, was said to have been the victim of a stray bullet when soldiers fired into the air to break up a demonstration.

It was the shooting of three schoolchildren in November which precipitated the youth protests against Mr Duvalier's dictatorship.

Since then they have spread from the city of Gonaives to other towns on the northern and southern peninsular, and also to the capital.

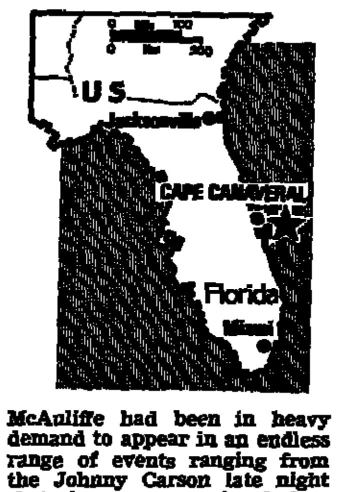
In an effort to prevent gatherings of young people, Mr Duvalier earlier this month ordered schools and universities to be closed.

Diplomats say the continuation of the protests, and this week's deaths, are likely to intensify anti-Government sentiment throughout the French-speaking country of 5m people, the poorest in the Americas.

SHUTTLE DISASTER

Space teacher's triumph ends in sudden tragedy

BY TERRY DODSWORTH AND PAUL TAYLOR IN NEW YORK



IN THE pre-flight publicity, yesterday's ultimately tragic Challenger mission had been built up as a triumphant launch of the first ordinary member of the public into space—37-year-old New Hampshire school-teacher, Mrs Christa McAuliffe. It turned into a nightmare 72 seconds after blast off.

Mrs McAuliffe, who was married with two children, was chosen from over 11,000 applicants, and had been built into a national heroine by the heavy coverage she received in the US media.

She described herself as "an ordinary teacher, but touched by an extraordinary experience" and had said that she would keep a journal of her project in orbit "just as the pioneer travellers of the Conestoga wagon days kept personal journals."

When Vice-President George Bush announced her selection last July at a White House ceremony he described her as one of America's teachers with the "right stuff," the phrase writer Tom Wolfe had used in his history of US astronauts.

Mrs McAuliffe, who was married to a lawyer and had been teaching for 15 years, was to have given two lessons in space which were to have been beamed to classrooms across the US and carried on public television stations. She was to have been filmed in flight demonstrating how magnetism works, how plants grow and how other items function in weightlessness.

Aside from her role in Nasa's "teacher-in-space" project, Mrs McAuliffe had been in heavy demand to appear in an endless range of events ranging from the Johnny Carson late night chat show to appearing before Kiwanis community service clubs.

Mrs McAuliffe received a gift of a $1m personal accident insurance policy from Corroon and Black Inspace, a satellite and space insurance firm. The Washington company said it arranged the insurance on the Lloyd's of London insurance market.

Mrs McAuliffe was not the only woman on board Challenger. Dr Judith Resnick, a 36-year-old electrical engineer, who first flew with the shuttle in 1984, was a specialist at operating the shuttle's robot arm.

The crew of Challenger included three trained pilots headed by Francis Scobie, aged 46, who was commanding the flight and making his second space shuttle mission. An air-force jet pilot, who flew combat missions in Vietnam, he made his first space flight in 1984 and was married with two children.

The other crew members were Commander Mike Smith, 40, Dr Ronald McNair, 36, Lieutenant Colonel Ellison Onizuka, 39, and Gregory Jarvis, 41. Commander Smith was due to pilot the shuttle while Dr McNair was an expert in lasers. Mr Jarvis was a satellite engineer who worked for Hughes Aircraft and was flying on Challenger to conduct tests on the effects of weightlessness on fluid carried in tanks.

Nancy Dunne reports from Washington:

For several hours yesterday an official news blackout shrouded rescue efforts. With the twisting contrails of the explosion still lingering in the clear morning sky, fragments of the 100 tonne spacecraft rained down on the cold grey-blue Atlantic.

Moments after the explosion observers caught sight of a paramedic parachuting into the crash site.

"Recovery forces are proceeding to the area including ships and a C-130 aircraft," reported Mission Control from Houston.

A television crew in a rented plane surveyed the crash area but all that could be seen was paramedic parachuting into the the fragments of the $1.2bn spacecraft.

Rescue efforts were held up for nearly 45 minutes, Nasa later reported, by the fall of debris into the impact area. Paramedics led an effort to find any trace of survivors.

Mrs Christa McAuliffe smiles on the way to the launch pad.

School's cheers turn to disbelief

A BLAST of party horns and cheers turned quickly to silence and stunned disbelief as 1,200 Concord High School pupils watched the space shuttle challenger rise into the sky and explode into pieces, AP writes from Concord, New Hampshire.

"It's awful. Just too awful to contemplate," Mr Charles Foley, the shcool's principal, said as he fought back tears. "I hop God will be good. I hope he'll be good to all of us."

Television monitors carried the long-awaited launch of Mrs Christa McAuliffe to classrooms throughout the high school, where Mrs McAuliffe taught social studies and law and planned to return to teach in the autumn.

About 200 pupils and teachers watching a television set in the school auditorium had seen the final 10-second countdown and cheered wildly as the shuttle's engines blasted the craft toward space.

Believing the launch to be normal, the students continued to cheer and blow their horns until someone in the balcony seconds later yelled, "Damn it. There's a major malfunction. Shut up so we can hear."

The silence was broken by murmurs of "This isn't real is it? This can't be happening?"

Nasa suffers severe setback

BY PETER MARSH

THE explosion aboard the space shuttle Challenger 72 seconds into the craft's 10th mission is an unparalleled disaster that may set back the US space programme by years and force a complete re-appraisal of the nation's activities in the cosmos.

Inevitably, the disaster will also focus attention on the necessity of putting people into orbit as opposed to launching satellites and other payloads with unmanned, expendable rockets.

The US shuttle fleet—developed since 1972 at a cost to the US taxpayer of some $15bn—has been built with three goals in mind. These are: to put satellites into orbit; to provide a platform for space experiments in areas such as biology and materials research; and to provide experience in keeping people in space for prolonged periods.

The shuttle is the first vehicle to take people into orbit—a maximum of eight—and bring them down again in the manner of an aeroplane.

One of the outcomes of the catastrophe may well be to downgrade the role in space transport of manned vehicles in favour of unmanned rockets such as Ariane, developed by the 11-nation European Space Agency at a fraction of the cost of the development of the space shuttle fleet.

Ariane and the four-vehicle shuttle fleet are the prime competitors in the business worth some $500m a year in taking commercial communications satellites into orbit. Ariane and the shuttles are at present roughly sharing this business, which adds up to 10-20 launches a year.

The Paris-based ESA was one of the first organisations to send a message of sympathy yesterday to the US National Aeronautics and Space Administration, which operates the shuttle fleet.

Another consequence of yesterday's events may be to put off—perhaps for ever—a US-inspired plan to build by the 1990s an international manned space station. This $12bn structure, built with the help of Japan, Canada and Western Europe, is due to act as a permanent base for eight people and as a laboratory for a range of scientific experiments.

The countries discussing the venture were due to give the final go-ahead to the scheme early next year. In the light of yesterday's accident, they may well question whether the world can afford to go without such grandiose schemes until engineers have gained more basic engineering expertise in the business of keeping people alive in the cosmos.

The loss of the shuttle's seven crew marks the first time since the US's space missions started in 1961 that an American astronaut has died in orbit.

The only comparable disaster was the launch-pad fire in 1967 which killed three American spacefarers, Virgil Grissom, Edward White and Roger Chafee, while they were practising procedures for the Apollo moon shots.

OVERSEAS NEWS

Colina McDougall reports on the formidable potential of the Chinese leader's critics

Deng's opponents wait in the wings

DENG XIAOPING'S reformist leadership has grown increasingly alarmed at the apparently irrespressible corruption of Communist Party officials and its association with his more liberal economic policies. In a mounting campaign to stamp out evildoers, Hu Qili, widely tipped as Deng's choice to succeed Hu Yaobang as party General Secretary, last week threatened lawless officials with capital punishment.

This comes on top of last year's student discontent (the worst since the 1966-76 Cultural Revolution), the rising cost of living, and the failure of some inward foreign investment policies. Deng's political opponents wait in the wings while his policies are working but, can be ready to emerge at signs of trouble.

Who are these opponents, how powerful are they, where do they work and how far do they exist among the younger, still untested, officials?

Some are probably conservative Marxists who disapprove of economic liberalisation on ideological grounds or believe it cannot work. Others fear the loss of influence which decentralisation inevitably means. Still others, such as those in the military, see their status downgraded. Very few seek a return to Maoist radicalism, although many were associated with it in the past.

These groups will be enhanced by an amorphous swathe of officials, workers and the public at large who feel some apprehension over recent developments. Peking's inability to insulate the urban population against huge price rises and to forestall last autumn's potentially explosive student demonstrations will have raised considerable doubts about the leadership's wisdom and efficiency.

There is little doubt that a hard core of able, if elderly, conservative Marxists remain at the top of the party. This core is still strong in the army. Even among the new younger faces there are some whose background suggests they may not at heart be economic liberals, and there are any number of mid-level cadres who owed their original promotion to the Cultural Revolution. Deng has whittled away at all these groups but is still far from eliminating them.

In the 22-strong ruling Politburo (including alternates), as it emerged at last September's special party meeting, only about eight look like firm Deng supporters, while about the same number (admittedly of higher average age) lean towards conservatism. Of the remaining members, several are military and, while they may uphold Deng, they have strong loyalties to the army. It is probably fair to say that, while the less rigid conservatives support him when his policies work, in times of severe doubt the Politburo could be swung against him.

A thought-provoking fact is that, if Deng met an unfortunate accident, China's top ruling body, the Politburo Standing Committee, would be split evenly between his men and the conservatives. Besides Deng, the current membership consists of two of his supporters—party General Secretary Hu Yaobang and Premier Zhao Ziyang—plus head of state Li Xiannian and economist Chen Yun.

Li Xiannian, a former Minister of Finance, had strong links with Mao and survived the Cultural Revolution completely untouched. Chen Yun has been on the Politburo for probably more than half a century. Though he fell out with Mao over the 1958 Great Leap Forward and the Cultural Revolution, he ran the economy with efficiency in the 1950s.

Today, Chen appears in public infrequently, which is hardly surprising since Deng does not like his views. A proponent of the planned economy, he made two vigorous speeches last September critical of aspects of the reforms. He holds the key post of chairman of the party's internal police force, the Discipline Inspection Commission.

While Li (76) and Chen (80) are unlikely to seek long-term power for themselves because of their age, they may well try to ensure that Deng's appointments of younger economic liberals are parallelled by placings of planned-economy supporters.

They could include such figures as Politburo alternate Chen Muhua, formerly Minister of Foreign Economic Relations and Trade and now president of the People's Bank. She has worked for Li Xiannian since the 1950s.

It may have been the residual conservative influence which prevented Deng's installing more of his proteges last September in Politburo seats left vacant by resignation. Properly, the Politburo should have been maintained at the strength it was when elected at the 1982 party congress.

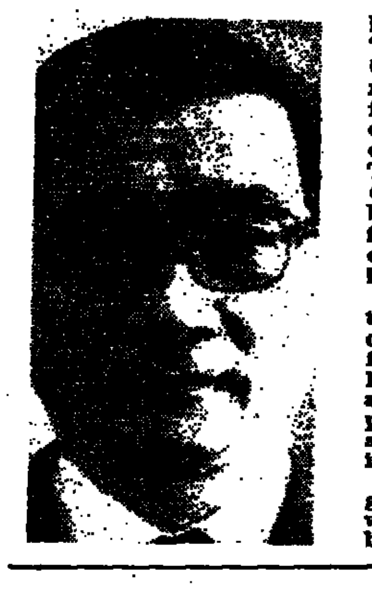
At least the party secretariat, second only in power to the Politburo, has swung Deng's way. On that body, his supporters are probably now in the majority, and several (as opposed to only one probable conservative, Yu Qiuli), are members of both.

A powerful source of opposition to Deng's reforms is the military. Though benefitting from the new policies in terms of greater efficiency and more modern weapons, it has lost out in power and prestige. Eight senior army men were cleared off the Politburo in September.

But several of the eight army ex-Politburo members are still on the military commissions, bodies so important that Deng has retained the chairmanships for himself.

Finally, among the party rank-and-file there is a huge number who joined in the Cultural Revolution and want to preserve their privileges. While the party rectification now in progress was supposed to weed them out, few have actually been dismissed. Focus of their loyalties could be former Chairman and Premier Hua Guofeng, once the leading beneficiary of the Cultural Revolution and still a member of the Central Committee.

While Deng's reforms and the opening up of China retain their impetus, it is not likely that these disparate forces would coalesce sufficiently to present an opposition. In any case, the more pragmatic of his adversaries would probably concede that more has been done to modernise China in recent years than ever before. But, if the policies fail through misjudgment and corruption, or Deng were not around to push them through, they could present a formidable front for his men to overrule.



Having adopted the motto "kill one to teach 100," the Chinese Government has promised that senior officials found guilty of economic crimes are liable to be executed, writes Robert Thomson in Peking. Hu Qili (left), an influential Politburo member, recently identified crimes by the children of high officials as a particular problem.

During student protests at the end of last year, the demonstrators complained of frequent cases of nepotism. Instances of children taking advantage of their parents' position to fatten their bank accounts have been reported in the Press.

Until now, execution has generally been reserved for violent criminals and thieves, but corruption has become so widespread that the leadership fears its economic reforms could be compromised.

However, Hu stressed that the present campaign was not political and that it involved "real justice."

"Those who should be arrested, should be arrested, and those who should be killed, should be killed," he said.

The Government would show no favour in dealing with "key cases involving some high-ranking cadres and their sons and daughters."

Diplomats suspect that several senior officials might be used as public examples, as corruption extends from street-level swindling to the upper reaches of the Communist Party and Government.

Israel fails to arrange talks with Mubarak

BY DAVID LENNON IN TEL AVIV

THE PROSPECTS for a breakthrough in the Middle East peace process have dimmed following Israel's failure to arrange an early summit meeting between Mr Shimon Peres, its Prime Minister, and President Hosni Mubarak of Egypt, according to officials in Jerusalem.

"If our peace treaty with Egypt does not lead to normal relations between our two countries, there is little chance of achieving peace with any other of the Arab states," Mr Yitzhak Shamir, the Vice Premier and Foreign Minister said yesterday.

The gloom had been increased by persistent reports from Amman of a stalemate in talks between King Hussein and Mr Yassir Arafat, chairman of the PLO, on ways of winning PLO approval for negotiations with Israel.

Mr Ezer Weizman, minister without portfolio, led efforts to persuade President Mubarak to meet Mr Peres while they are both in West Germany this week, or early in February. When he received Mr Weizman in Cario on Sunday, the Egyptian leader made it clear that he was not interested in a summit until progress had been made on resolving the differences between the two countries over the disputed Taba enclaves in Sinai.

Jerusalem regards the rebuff as a bad omen for making progress in efforts to persuade Jordan to enter into negotiations with Israel on resolving the Palestinian problem.

During Mr Peres' current trip to Europe, he has met four times with Mr Richard Murphy, President Reagan's special Middle East envoy.

The US State Department has already cautioned against expecting any major breakthrough in the Arab-Israeli peace process because progress made during the Murphy mediations was "incremental" rather than substantive.

● The talks between King Hussein and Mr Arafat on a Middle East peace formula will continue in Amman until Saturday, a Palestinian source said, AP reports from Amman.

The highly placed source said the meetings were decisive. The formula would build on the year-old Hussein-Arafat agreement to offer peace to Israel and create a Palestinian state confederated with Jordan.

Mr Arafat met King Hussein twice on Sunday, then talked with Mr Zaid Rifai, Jordanian Prime Minister, on Monday.

Last month Mr Mubarak cautioned that the Palestine Liberation Organisation risked being shut out of the peace process if it did not accept UN security council resolution 242. The resolution calls for peace guarantees in return for Israeli withdrawal from land captured in the 1967 Middle-east war.

In addition to the co-operation of Mr Mubarak, King Hussein has sought support for peace moves from Syria, a bitter foe of Mr Arafat, but little indication has emerged that Syria would go along.

Israel's foreign debt rose to $23.9bn (£17.07bn) at the end of September 1985, and the cost of servicing it will be $1.8bn this year, according to the Bank of Israel, the central bank, writes David Lennon in Tel Aviv. The increase stemmed from the decline in the value of the dollar against the European currencies and a $400m growth in the obligations of the banking sector. Officials here said that government and non-financial commercial debt declined slightly. About 65 per cent of the foreign debt is owed by the Government, two thirds of this in long term loans from the US. Bank liabilities account for 21 per cent, while the remaining 14 per cent represents debt by the private, non banking sector.

Catholics signal support for Aquino

By Chris Sherwell and Samuel Senoren in Manila

THE PHILIPPINES Roman Catholic Church yesterday signalled support for Mrs Corazon Aquino in her presidential election battle against incumbent Ferdinand Marcos.

The Catholic Bishops' Conference warned that a "conspiracy of evil" was violating the electoral process and urged voters to become a "massive force" supporting those who were "morally, intellectually and physically capable of inspiring the whole nation towards a hopeful future."

Though the Conference did not name Mrs Aquino, the strongly worded statement was widely taken as an endorsement of her candidacy. The bishops also expressed "whole-hearted support" for the independent National Citizens Movement for Free Elections (Namfrel) specially formed to monitor the counting of votes and the official Commission on Elections (Comelec).

In a controversial move, Comelec this week debarred Namfrel from organising a "quick count" of votes after the polls close on February 7. Namfrel says it will go ahead anyway, while Comelec has said it will arrange its own.

Concern is growing at the prospect of post election violence if, as seems probable, Mr Marcos is returned by a disputed margin.

Already 14 deaths have been reported in pre-election violence since the increasingly bitter campaign started early last month. Ten involved opposition activists. All the incidents involved firearms.

On Monday Mr Stephen Bosworth, the US ambassador in Manila, expressed alarm at the violence and voiced concern at the wider conduct of the elections, specifically poor access of Mrs Aquino to the print and broadcast media and reports of vote buying and bribery.

Pakistani Cabinet reshuffled

PAKISTANI Prime Minister Mr Mohammad Khan Junejo yesterday named a new cabinet, dropping his finance and planning minister, Reuter reports from Islamabad.

No explanation was given for the absence of Mr Mahbubul Haq, known abroad as the architect of Pakistan's economic policy, including moves to open the country to foreign investment.

Mr Sahabzada Yaqub Khan, Foreign Affairs Minister, and Mr Mohammad Aslam Khattak, Interior Minister, retained their posts in the 35-member cabinet sworn in last night.

Mr Mian Mohammad Yasin Khan Wattoo, formerly Education Minister, became Minister for Finance and Planning

Soviet tanks, jets attack guerrillas in Afghanistan

SCORES OF Soviet tanks backed by jet fighter-bombers killed or wounded some 140 Moslem guerrillas in fierce fighting in eastern Afghanistan recently, AP reports from Islamabad.

The insurgents suffered another 200 casualties in heavy bombing in other parts of the country, according to Western diplomatic sources interviewed by AP.

The sources quoted reports from Afghanistan as saying a Soviet force of about 400 tanks, armoured personnel carriers and other vehicles carried out a search-and-destroy mission in mid-January against guerrillas in the eastern province of Nangarhar, near the Pakistani border.

The Soviet force was supported by MiG fighter-bombers, which attacked guerrilla positions and cleared the way for the armoured column.

On the other side of Afghanistan, in the western province of Herat, guerrillas also suffered heavy losses when Soviet aircraft bombed the city of Herat and surrounding areas on January 12.

There were reports that Afghan army troops had discovered a big guerrilla hideout near the city, killing 120 guerrillas and wounding another 60. There were also numerous civilian casualties in the Herat bombing, the sources said.

The diplomatic sources said the fighting lasted from January 17 to 20 and that guerrilla losses were 140 killed and wounded, with an undertermined number of civilian casualties.

The guerrillas had claimed to have destroyed six tanks, two helicopters and one jet in the fighting, they added. One source said the Soviet force had pulled back on January 20, leaving its dead behind.

India links diplomats to spy scandal

POLICE in New Delhi said several West German and US diplomats were involved in a growing Indian espionage scandal which forced two Cabinet ministers to resign, Reuter reports from New Delhi.

Two junior Cabinet ministers and a high-ranking official resigned abruptly and newspaper reports said they were linked to a businessman accused of spying for Taiwan and passing secrets to Israel, West Germany and other unnamed nations.

The Press Trust of India (PTI) newsagency announced late last night the resignations of Mr K.P. Singh Deo, Minister of State for Food and Civil Supplies, and Mr Chanulal Chandrakar, who has the Rural Development portfolio.

Mr M.S. Sanjeevi Rao, chairman of the Electronics Commission, also resigned, PTI said.

Black students call off South African school boycott

BY ANTHONY ROBINSON IN JOHANNESBURG

THOUSANDS of black students streamed back to school yesterday at the end of a prolonged boycott against inferior "Bantu eduction" and other grievances which has disrupted their education and been a big factor in township unrest, costing over 1,000 lives in the past two years.

The return to school, which could improve the chances of the Government lifting the partial state of emergency declared on July 21, was generally peaceful with police and army units ordered to maintain a low profile. But the fragility of the peace was underlined as reports came in from the township of Kagiso near Krugersdorp west of Johannesburg that a 15-year-old school girl, Miss Francisca Legoete, had been shot dead when police opened fire on a group meeting in a school yard. A further 13 pupils were admitted to hospital.

It was the death of a 15-year-old school girl run over by a police armoured car in Atteridgeville, north of Pretoria, in February 1984 which sparked off the first school boycott—and with hindsight—marked the beginning of the current unrest.

Yesterday's return to school is the result of weeks of negotiation and persuasion in which students, officials from the Department of Education and Training, the Soweto Parents Crisis Committee (SPCC) and the police and even the banned African National Congress (ANC) have played their part.

The turning point was a weekend meeting at Witwatersrand University at the end of the year when 700 delegates from 160 influential Black, Coloured and Indian political and educational groups decided to call a return to school on January 28.

At the same time they gave the Government three months in which to agree to a package of demands which include the release of all detained students and teachers, the creation of democratic students representation committees (SRCS), an end to the state of emergency and the removal of the army and police from schools and townships. Failing that they threatened to resume the boycott at the end of March.

But in Soweto yesterday as students milled around outside the schools their comments revealed a significant change of attitudes in recent months. At Orlando high school—which 10 years ago was the scene of a bloody confrontation when police fired on 20,000 students protesting against Government rules to make Afrikaans compulsory for some subjects—students declared they were tired of missing classes and "hungry for education."

Many of the students said they were frightened of the so-called "comrades"—militant black youths who have been active in enforcing the school and related consumer boycotts, intimidating both students, parents and teachers in the process. They have been leading the boycott under such slogans as "no to gutter education" and "liberation first education afterwards."

Mr Matthew Ratsebo, a 22-year-old Orlando student, told the FT "we all resent Bantu education. But half a loaf is better than none. Even if the comrades tried to stop the return they could not do so now because we are hungry for education." He, and others around him, rejected the liberation-first slogan saying "education and liberation go hand in hand. If you are ignorant you don't even know what you want." We are going back to school so we can organise and co-ordinate our efforts for the struggle against apartheid," he added.

At the Ibhogo High School up the road, 20-year-old Mr Moses Khoma, an aspirant economist who spent much of the boycott period working for Barclays Bank under a make-jobs scheme organised by the Johannesburg Chamber of Commerce and the Soweto Civil Association, said "we cannot create a prosperous united South Africa without educated blacks."

They were echoing the words of black leaders such as Bishop Desmond Tutu, Dr Nthato Motlana and other community leaders with links to both the United Democratic Front and the ANC who argue that education is vital if eventual black emancipation is to be meaningful.

WORLD TRADE NEWS

Cit-Alcatel wins FFr 1bn telecom order in India

BY JOHN ELLIOTT IN NEW DELHI

CIT-ALCATEL of France has successfully negotiated a contract worth over FFr 1bn (£100m) to construct a major telecommunications factory in India after two years of disagreement with the Indian Government over the project.

Subject to approval by the Government's Public Investment Board and receipt of import licences, this will be the second factory built by Cit-Alcatel in India to produce 500,000 electronic digital switching telephone lines a year.

Negotiations were completed last week with the Government-owned Indian Telephones Industries, which is going to the Indian stock market next week to raise Rs1bn-Rs2bn (£60m-£120m) for its future developments.

India's telephone system is entering a period of major expansion and modernisation, and companies such as GEC of the UK, and Cit-Alcatel, plus others from Europe, Japan and the US are chasing large projects for rural telephone exchanges, microwave links and optic fibre developments.

They are also offering to take part in the modernisation of telephone systems in Bombay and Calcutta, which are likely to be handed over to new corporations, and in the development of C-dot, India's own digital switching system.

Cit-Alcatel won a controversial contract for its first integrated digital switching factory at Gonda in northern India three years ago, outflanking System X of the UK and Siemens of West Germany. But the Government was not satisfied with progress on the project and refused to confirm a contract for a second factory which is to be sited at Bangalore in southern India.

The Gonda factory is now about to produce its first exchange, after a variety of teething problems.

After months of debate, the Government decided against importing a second foreign technology and went ahead with the Cit-Alcatel negotiations. But the size of the project is being reduced because a large proportion of components for the exchanges will be made by sub-contracting on assembly.

This will reduce the size of business received by Cit-Alcatel for kits.

Boeing deal for Saudi aircraft plant

BOEING of the US has signed an agreement with Gulf companies to set up an aircraft overhauling plant in Saudi Arabia, the official Saudi Press Agency (SPA) said yesterday, Reuter reports from Bahrain.

Boeing will team up with Saudi Arabian Airlines and two investing companies to put more than Riyals 480m (£96m) into the project, the agency said.

The plant is part of an "offset programme," under which Boeing and other US winners of a large Saudi contract to set up an early warning defence system are required to reinvest some of the funds in high-technology industry in the kingdom.

In preliminary plans, Boeing had proposed a plant for the total maintenance of fixed and rotary-wing aircraft, with an estimated cost of \$230m-\$270m (£164m-£192m) industry officials said.

One official said plans, still not finalised, now call for an "aircraft modification centre" which may go beyond maintenance in structurally changing planes or helicopters.

The two other companies in the project are Saudi Arabia's National Industrialisation Company and the Kuwait-based Gulf Investment Corporation, owned by six Gulf nations including Saudi Arabia.

Airbus to step up world sales campaign

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

OVER the next few months, Airbus Industrie, the European airliner manufacturing group, will be stepping up its sales campaign with the world's airlines for its proposed two new wide-bodied airliners, the 330-seat short-to-medium range twin-engined A-330 and the 250-seat very long range four-engined A-340.

As well as seeking launching orders for the two new jets, Airbus will also be refining the technical details of the designs, so that when final production go-ahead is authorised around the end of this year the world's airlines will have clear specifications for the aircraft.

At the same time, over the next few months, the major shareholders in Airbus, including Aérospatiale of France, British Aerospace, Deutsche Airbus of West Germany and Casa of Spain, will be approaching their Governments on the question of provision of much, if not all, of the \$2.5bn (£1.7bn) launch cost for the new ventures.

British Aerospace, which has a 20 per cent stake in Airbus on behalf of the UK Government, will need to raise up to \$500m if it wants to participate in building the A-330 and A-340, working on the common wing for both aircraft, in the same way that it already builds the wings for the other Airbus models, the A-300, A-310 and A-320.

BAe has made it clear that it will need 100 per cent launch aid from the UK Government, because its own cash resources are fully committed on other major civil aircraft programmes, including the Type 146 four-engined jet feederliner and the Advanced Turbo-prop (ATP).

If BAe cannot raise the cash from the UK Government, it faces the prospect of seeing the much-coveted wing contract going to another manufacturer, either in Europe or the US, or even in Japan.

At this stage, it is not certain whether the Governments of the other partners will produce their shares of the development cash required. All that is clear is that there will be much patient financial negotiation in Western European capitals this year.

It is possible that if Airbus finds governments reluctant to put up the cash, it will seek other methods of financing the proposed new aircraft, such as borrowing on the commercial market on the security of firm orders from the airlines.

Putting together the new programme, now that it has been approved in principle by the Airbus Industrie Supervisory Board, will thus be a complex task of convincing the airlines that the programme is sufficiently realistic to justify placing the orders, without which neither governments nor the commercial markets will commit development funds.

It took Airbus many months to reach a similar launch position with the short-to-medium range 150-seat A-320, but subsequent orders have more than justified going ahead with that venture. Airbus hopes the same situation will occur with the A-330 and A-340.

Both aircraft are being aimed at the world market for the early 1990s.

Airbus believes that a big market exists for both types of aircraft. The A-330 would be suitable for many European and North American short-to-medium range routes where a larger aircraft than the existing A-300 and A-310 is needed to meet traffic growth in the years ahead.

Similarly, a wider market is envisaged for the long-range A-340, which will be capable of flying very long distances on routes that do not carry enough traffic to justify using the bigger Boeing 747 Jumbo jet.

Competition will be fierce, however. Boeing is bound to offer its existing twin-engined 767 to meet the A-330, whilst McDonnell Douglas will offer its own proposed MD-11, a follow-on to the existing DC-10, in competition with the A-340.

Airbus believes that in both categories, a total market of about 1,900 aircraft will exist over the coming decade, of which it aims to win up to about one-half.

Airbus sees in the new jets the chance to complete its full product range, giving Western Europe for the first time the opportunity to compete with everything that Boeing and McDonnell-Douglas can offer apart from the 747 Jumbo jet.

The Airbus family of jets will then extend from the single-aisle A-320 150-seater up to bigger wide-bodied aircraft seating 400 passengers and covering stage lengths from 300 nautical miles to 7,000 nautical miles.

By offering a large number of common factors in the two new models—common wings, fuselage, flight decks and systems—Airbus hopes to save considerable sums on development costs.

● Mr Jean Pierson, president of Airbus, has announced major new appointments to the Airbus team.

Mr Heribert Flosdorff, 53, a West German, currently vice-president of Messerschmitt-Bolkow-Blohm's transport aircraft group, becomes executive vice-president and general manager of Airbus Industrie from February 1, replacing Mr Johann Schaeffler, who has left to join Dornier.

Mr Stuart Iddles, 41, currently executive director, sales, of British Aerospace's Advanced Turbo-prop and 748 programmes, becomes Airbus senior vice-president, commercial, replacing Mr Pierre Pailleret, who has left Airbus to pursue other interests.

Mr Angel Hurtado, 40, director of contracts for Casa of Spain, becomes Airbus senior vice-president, purchasing, replacing Mr Georges Ville.

McDONNELL-DOUGLAS of the US is to start flight tests next year of a revolutionary prop-fan engine developed by Allison Division of General Motors, in competition with tests by Boeing using a General Electric prop-fan engine, Michael Donne writes.

The Allison engine is called an Ultra High By-pass (UHB) system, the 578-DX. It will be mounted on a McDonnell-Douglas MD-80 twin-engined jet airliner. The aim of the tests is to prepare a McDonnell-Douglas prop-fan airliner called MD-91X for service in the early 1990s.

Boeing is already developing a prop-fan airliner of its own, the 7J7, using the General Electric Unducted Fan (UDF) engine, for service from 1992. Pratt & Whitney, a division of United Technologies, is considering linking Allison in prop-fan engine research.

Prop-fan engines use a revolutionary new design of propeller blades harnessed to gas-turbine power-plants to produce substantial reductions in fuel consumption compared with current generation of turbo-fan (jet) engines.

Both the McDonnell-Douglas MD-91X and Boeing 7J7 prop-fan airliners will compete with the European Airbus Industrie A-320.

Spie Batignolles awarded Kenya hydro-project

BY DAVID MARSH IN PARIS

SPIE Batignolles, the French civil engineering and construction group, will carry out a FFr 2bn (£192m) contract to build a hydroelectric complex at Turkwell in Kenya.

The project, one of the most important French orders to have been landed in a part of Africa which has traditionally favoured British suppliers, will be supported by French export credits to be supplied by the Government and a banking consortium led by the Banque de l'Union Européenne.

The contract has been awarded by the Kerio Valley Development Authority to build a 100 metre-high dam as well as an underground power station of 106 MW capacity and a 220 km electricity transmission line.

Apart from supplying electric power, the dam will also provide additional water for irrigation.

● Thomson-CSF of France has won a record FFr 300 (£30m) order from the West German army for computerised simulators for tank driving instruction, Reuter reports from Paris. The contract for 22 simulators is the biggest of its kind ever placed by a single client, and there had been strong competition from other leading European and American manufacturers, a Thomson - CSF official said.

The state-owned company supplied 16 of the systems to West Germany in 1975 for Leopard battle - tanks. The French army has 20 Thomson simulators.

Japanese and Canadians to drop LNG plan

By Yoko Shibata in Tokyo

A \$3bn (£2.1bn) project to import liquefied natural gas (LNG) from Canada is to be abandoned after protracted negotiations. The final decision to scrap the proposed deal is to be announced today by Mr Kamesaburo Matsunaga, president of Chubu Electric Power.

At the final round of talks which concluded in Tokyo yesterday the Japanese side demanded strict pricing conditions on the strength of plummeting crude oil prices, while the Canadian side, headed by Petro Canada and Mobil Oil Canada expressed concern about the feasibility of the project.

The Canada-Japan project initiated in 1980, called for import of 2.35m tons of LNG a year from Canada over 20 years starting in 1989 by four Japanese would-be users including Chubu, Chugoku, Kyushu Electric Power companies and Toho Gas. Chubu was to take more than two-thirds of the LNG.

After the withdrawal of Dome Petroleum, the lead negotiator, in 1984 a new company was established by Nissho Iwai and other Canadian concerns to handle the project.

The Japanese and Canadians at that time agreed to set the price of LNG on the basis of crude oil and natural gas gas prices.

The Canadian suppliers were understood to be concerned about the profitability of the project, particularly for the issue of loan guarantees for the construction of a \$2.5bn pipeline, which was to be shared between Mobil Oil (30 per cent), Petro Canada (30 per cent), Westcoast Transmission (15 per cent), Suncor (10 per cent) all of Canada; and the Japanese partner Nissho Iwai (15 per cent).

It has now been determined that the Canadian LNG price linked with crude oil price will not pay off the construction of the pipeline.

The Japanese utilities said they will step up imports of Indonesian LNG to make up for the cancellation of Canadian LNG

Bosch sets up Japan valve joint venture

By Jonathan Carr in Frankfurt

ROBERT BOSCH, the West German automotive components and electronics group, is setting up a joint venture with two Japanese companies to manufacture injector valves for gasoline injection systems.

The deal was signed in Tokyo yesterday by Bosch and its Japanese partners, Mitsubishi Electric Corporation (Melco) and Mikuni Corporation.

The three are establishing with effect from April 1 the Nippon Injector company, based in Odawara, Japan, initially on premises rented from Mikuni. The company will be capitalised at Yen 1.2bn (£3.6m) with Melco holding 40 per cent and the other partners 30 per cent each.

Production of injector valves, mainly to Bosch licence, will begin next year with the output initially going to Mitsubishi Motors Corporation.

Nearly Yen 9bn will be invested over the next three years to provide Nippon Injector with its own factory.

Bosch already has joint ventures with Japanese companies in fields including packaging machinery and anti-skid systems for brakes. But this is its first in Japan in fuel injection systems, where the German company is a world leader.

● The Japanese Government has agreed to double the quota for EEC shoe imports in a new move to relieve trade tensions between Brussels and Tokyo, following the visit of Mr Jacques Delors, the Commission President, last week, Ivo Dawnay reports from Brussels.

The deal allows EEC manufacturers to ship 2.4m pairs of shoes in the current fiscal year, and follows on the Japanese tariff reductions for a number of other European products ranging from tractors to pharmaceutical equipment.

Tokyo has also approved a unilateral move by the Community, to raise customs duties on video cassette recorders entering the EEC from Japan from 8 per cent to 14 per cent.

Yugo car criticised in US

THE YUGO, the cheapest new car in the US and the first automobile from Yugoslavia ever imported there, has been criticised by a US product-testing magazine yesterday, Reuter reports from New York.

Consumer Reports, which is widely used as a guide by US car buyers, said the Yugo was the worst small car it had tested in years.

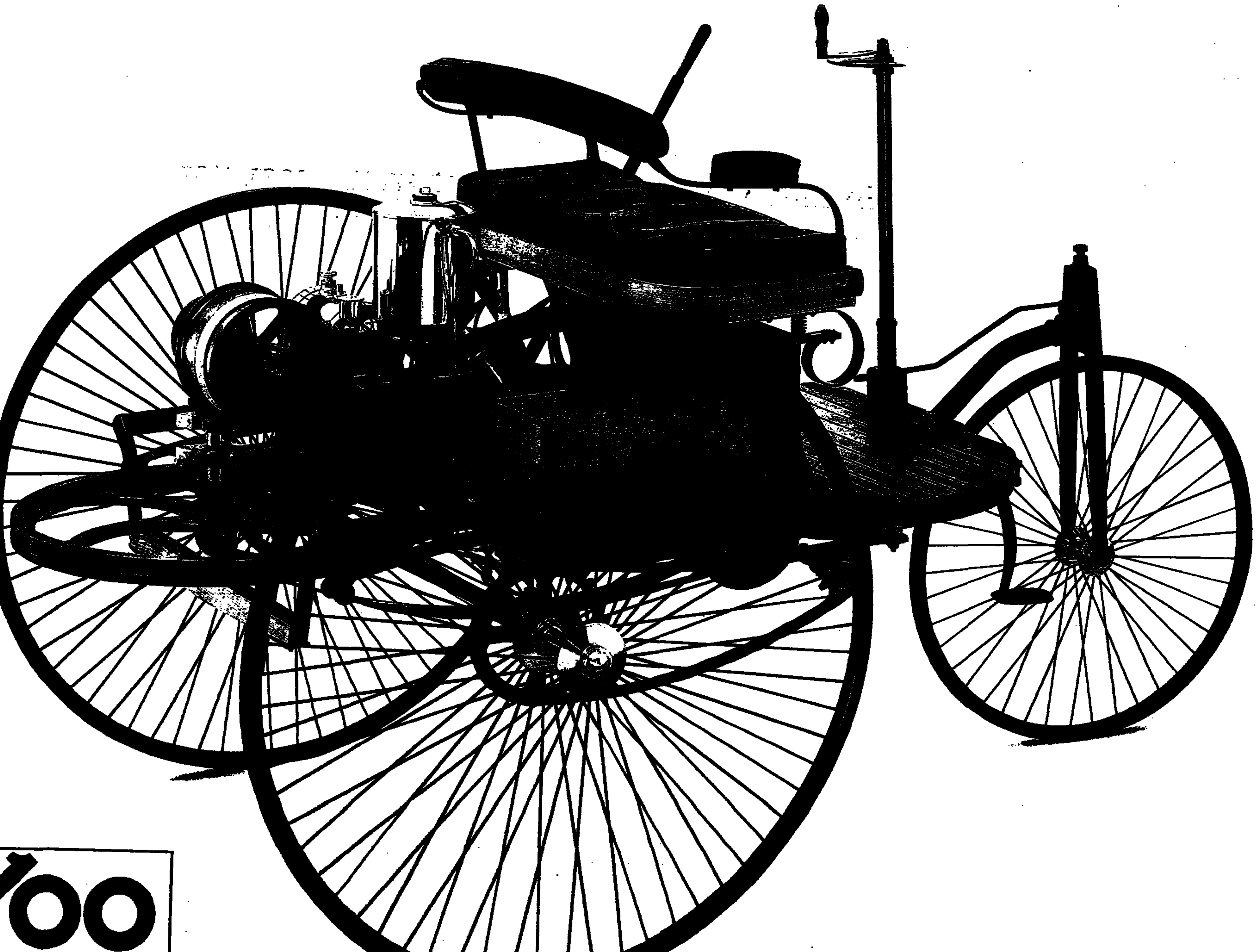
The car's gear change was rated as imprecise, its ride jerky, its heating weak and its seating uncomfortable.

About 10,000 Yugos have been imported into the US to sell at \$3,990 (£2,850), about \$1,600 less than any other new car in the country.

"It's a dated car," the magazine said.

Spokesmen for Bricklin Industries, which imports the cars made by Yugoslavia's Zavodi Crvena Zastava (Red Flag Works) could not be reached for comment.

A century ago today there was only one car in the world



100

100 YEARS OF THE AUTOMOBILE
DAIMLER-BENZ · 1886-1986

For some people there still is

Precisely one hundred years ago today, Karl Benz set free the horse and changed the course of history.

Since then the development of the Daimler-Benz company and its products has been punctuated with outstanding engineering achievements: the incredible SSK, the stunning 540K, the irrepressible silver competition cars with 4400 victories to their credit. Daimler-Benz developed fuel injection, the passenger safety cell, the rear swing axle and the first diesel production car.

To the engineers in Stuttgart though, history is but experience and the future holds infinitely more excitement than the past. For them, the present is already history as they design with computers and clay the cars that will set 21st century standards of engineering by which all other cars will be judged.

The next century of Mercedes-Benz will acknowledge its debt to men like Gottlieb Daimler and Karl Benz, at the same time recognising the enormous responsibility that goes with leading the automotive world in the technology of safety, comfort, economy and social responsibility.

Mercedes-Benz

Engineered like no other car in the world

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Thorn EMI

Striving to revitalise its core

Jason Crisp reports on the challenges facing the UK electronics to domestic appliance group as it ponders the question of what businesses it should really be in

"WE certainly don't want to be known as a conglomerate," says Colin Southgate, managing director of Thorn EMI, the troubled group whose products range from bomb fuses, microchips and computer systems to cookers, TVs and light bulbs.

Once one of Britain's strongest electrical companies, Thorn EMI is still struggling to rebuild profits and to establish a coherent long term business strategy. Analysts and even the company's own management have difficulty making sense of its current diversity.

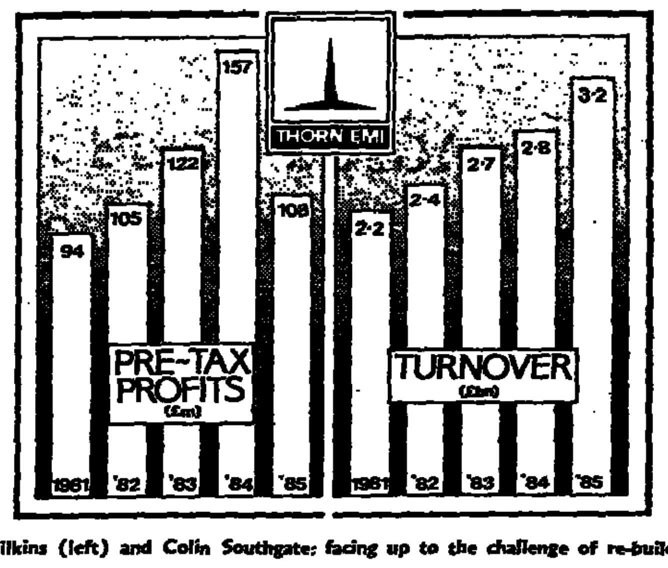
Given that it does not want to be a conglomerate, the critical question facing Thorn EMI — which the present management will not yet answer — is what businesses does the company want to be in? The question is particularly pertinent because in many areas it is a relatively small player facing competition from large companies operating on an international scale.

Its technology spans the latest in semiconductor development to metal bashing, and its businesses include defence, manufacturing, software, retailing and services. Yet, with the exception of the record business, Thorn EMI is not a major force worldwide in any of its activities.

A full-blown crisis hit Thorn EMI last summer when the once cash-rich business built on the pillars of TV rental and lighting began to run out of money. Peter Laister, chairman and chief executive, resigned and Sir Graham Wilkins, Thorn's deputy chairman and former chairman of the Beecham Group, immediately took over and announced a substantial reorganisation of its two biggest trouble spots, Inmos, which makes microchips, and Ferguson, the television manufacturing subsidiary.

Over the past few months the new management team has started raising money by selling businesses in sectors it already knows it does not want to be. These range from a variety of small engineering companies to Screen Entertainment, which was recently sold for £110m in a management buy-out. It also proposes to sell its cable TV interests, plus part of its stake in Thames TV through a public flotation and, it hopes, part of Inmos.

Thorn EMI's present problems — at once highly diversified and centrally run and having a high proportion of business in the UK — date back to the days of Sir Jules Thorn, who founded the company in 1928 to import valves from Germany. Built around the basic activities of lighting and the manufacture and rental of TVs, Sir Jules took the company into many new activities from domestic appliances to engineering.



Graham Lever/Trevor Humphries

Sir Graham Wilkins (left) and Colin Southgate: facing up to the challenge of re-building profits

After he retired in 1976 Sir Richard Cave, chairman until 1984, continued to make acquisitions though with a greater emphasis on the US and Europe. These were overshadowed by his purchase in 1979 of EMI, the British group with interests ranging from its troubled medical electronics division and defence to music and films.

Peter Laister, who succeeded him, showed no less enthusiasm for acquisition first with the unsuccessful attempt to merge with British Aerospace and then through the purchase of Inmos from the British government.

The question now is how can the company revitalise its core businesses? The problems include how to preserve the position of its highly profitable TV and video rental business in a shrinking market and whether it should stay in consumer electronics production.

The new regime has cut head office staff, installed new management systems, fired over one third of the top 150 managers and made substantial changes in some of the more troubled parts of the business including Inmos, Ferguson and Capitol, the north American music subsidiary.

The new team paints a remarkable picture of a company which lacked basic business controls and market research and which had done little to rationalise the multitude of companies acquired over the years in the UK and overseas. These criticisms, and comments made when the company's interim results were published earlier this month are clearly intended to blame the former management for the group's present woes.

Peter Laister, who has remained silent since his sudden departure last summer, has become increasingly angry about such implications. He points out that most of the improvements being claimed by the new team are the result of actions taken up to three years ago.

Laister also adds: "If you look at the key areas of consumer electronics, domestic appliances and semiconductors then worldwide market forces have, and still are, causing problems for companies much larger than Thorn EMI."

Colin Southgate acknowledges that a number of changes were already in hand, but says that the speed with which they were being implemented was slow.

The points made by the current team certainly provide a rare insight into the problems faced by this large public company.

These include:

- The information systems were so weak that they had no idea what the margins were on a number of important products including television manufacturing and lighting;
- As a result of this and because subsidiaries were not charged interest which was carried as a central overhead, many products were underpriced. Small colour TVs are a particular example and were an important reason for the losses at Ferguson. Whether Ferguson has scope to raise prices in a highly competitive market is another matter.
- They claim there was insufficient market research for a company which has such a high proportion of its business in consumer products.
- There are so many subsidiaries in the group that the organisation chart needs grid references to find them. There are some 450 trading subsidaries of which 350 are in the UK. These were part of 37 operating companies and meant Thorn EMI had the fifth highest audit fee in Britain.
- The company has some 2,000 brand and trade names which means many are weakly supported and ineffective;
- There was no rationalisation of foreign subsidiaries. In many countries there were no holding companies, so profitable subsidiaries could not offset losses in sister companies against tax. In France the company had six different insurance brokers and in the US $4m was tied up in the banking system because it had treasury functions in both Los Angeles and New York.

After announcing interim pre-tax profits of just £11.4m on sales of over £1.5bn, Sir Graham said earlier this month that as a result of actions taken so far "I can assure you we are now past the low point in our fortunes."

For his part, Peter Laister again argues that many of the changes and improvements being claimed for the group are the result of work started well before the crisis. These include the appointment of many of the key people in the present management team, including the new finance director, who is responsible for the introduction of modern financial controls, the revitalisation of the weak product ranges in domestic appliances and the restructuring of Ferguson and the lighting group.

He adds that Screen Entertainment was turned round and the two new record labels for Capitol in the US were established in his time. But as well as objecting to carrying the blame for all the group's problems Laister is, unsurprisingly, critical of the change in strategy. "The one thing which made Thorn EMI different from all the other electronics companies in the world was its combination of hardware and software. The disposal of the screen and cable activities leaves the company as a manufacturer and retailer. But if you look at electronics manufacturing the company just does not count in world terms and as a retailer its strength is mainly in UK rental."

The company still faces enormous problems. The greatest of these is Inmos. The acquisition cost about £133m—its current value is acknowledged to be a tiny fraction of that sum. Turnover is down and even after withdrawing from the mass memory market, cutting staff and reducing investment it is losing money at £2m a month in a very weak market with the hope of breaking even in the summer.

The two hopes for Inmos are that the semiconductor market will pick up—"no signs so far," says Colin Southgate—and that the transputer, a very sophisticated and powerful computer on a chip will be accepted by the world's electronics industry.

The transputer is a high risk gamble as no European microprocessor has ever been accepted as a world standard, which it will have to be if it is to be a success. Largely based on the potential of the transputer Thorn EMI hopes to attract an investor (almost certainly foreign) to take up to 49 per cent from Inmos.

Thorn EMI acknowledges it probably could not afford to continue with a risk as big as Inmos even if the rest of the business was in good shape. But apart from its thriving TV rental business and HMV shops much of the rest of the group has stagnated (see inset).

Even if Thorn EMI has turned the corner it still faces enormous problems. If it cannot find a partner for Inmos or the transputer fails to live up to hopes it may have to take the very painful decision to close or sell it at a knock-down price. Television manufacturing could also be another painful casualty.

Sir Graham promises that later this year he will make a clearer statement on the future of the company's mainstream businesses. As the company still sees acquisition as part of its future no doubt investors will want to be sure that the past mistakes are not about to be repeated.

Mixed outlook for a number of activities

THE prospects for Thorn EMI's mainstream businesses are decidedly mixed. EMI Music—the second-largest record company in the world—is an unusual and entrepreneurial business which has suffered from the constraints of central control. "There is no doubt Music has been starved of investment in artistes," comments Sir Graham. "It is not just a question of getting the right artistes, we don't have enough artistes." he has set the ambitious target of increasing sales from $175m to $275m a year.

He strongly denies rumours that EMI Music is for sale. It has been suffering from heavy losses on its Capitol Music label in the US, a long-term decline in market share in the UK (now picking up again), and a late move into compact disc production. But it does have the advantage of being in a leading international position. Capitol is investing heavily and has launched two new labels.

However, some observers believe EMI Music looks out of place in the group now that it is pulling out of the video and film businesses. Even if the subsidiary is not for sale at the moment, there remains a suspicion that it may well be once the US arm has been turned round.

Even the very profitable TV rental business faces an uphill task in increasing its share of what is a gradually declining UK market. Like other rental companies, Thorn EMI is looking at other ways of expanding. These include going into overseas markets where renting TVs and videos is not very common—a difficult challenge, as several UK companies have discovered in the past—and finding new products for its domestic chains.

While the UK rental business is still strong, Thorn EMI has had rather less success with Rumbelows, its retail electrical chain, which is criticised for its poor systems, an undesirable mix of store sizes and an unclear consumer image.

Another of Thorn's traditional core businesses, domestic appliances—including cookers, washing machines and fridges with brands such as Tricity and Bendix—also suffers from lack of international scale. Its products have not been sold on the Continent, while West German and Italian imports have dented Thorn EMI's market share in the UK. Its product lines have steadily grown stale as it has failed to keep up with changes in consumer taste—although this has now been rectified with the recent launch of seven new ranges, to be followed by a further five.

The one export success in this area has been with small domestic appliances, such as mixers, which are sold under the Kenwood name in France and other countries. Even so the Kenwood product line is badly in need of new models. Only last week, blaming a weak pre-Christmas market, the company cut nearly 100 jobs and initiated short-time working.

Lighting is another core area where the company hopes to expand overseas. While the basic lighting business is stagnant and margins weak, Thorn EMI believes it has a number of special products—such as industrial lighting—where it could exploit its technology in world markets.

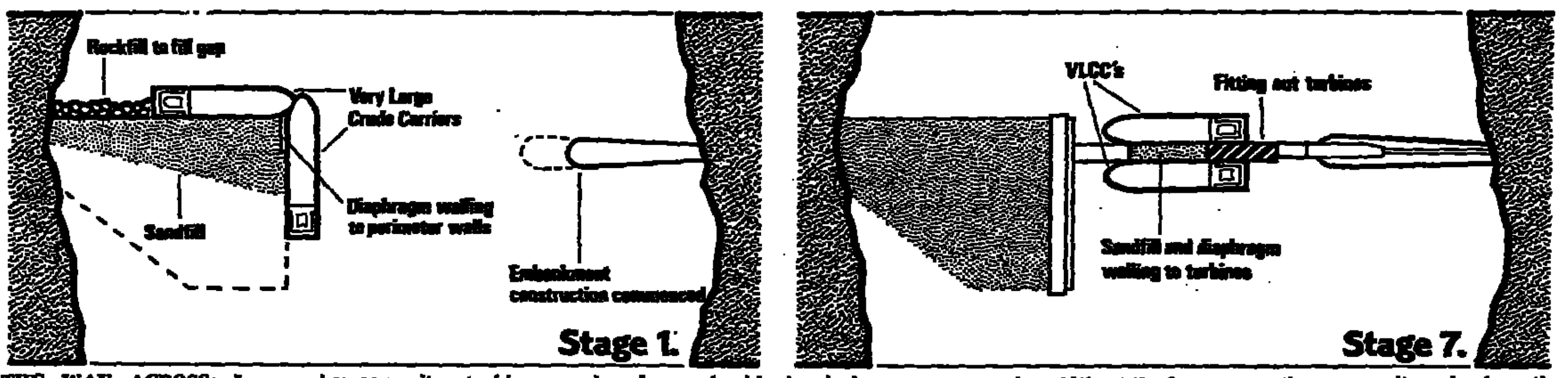
Half the division's sales are already made overseas, but this is mostly in basic consumer products in former Commonwealth countries such as New Zealand and South Africa. These are low-margin products where Thorn EMI is at a disadvantage because of its relative small size compared with leading companies in the US and Philips in Europe. At the moment only about 15 per cent of the more specialised and more profitable lighting products are sold abroad.

Like Inmos (see main article), television manufacturing could be another painful casualty. Thorn EMI is the only remaining British-owned mass producer of colour televisions, and faces increasingly fierce competition from the Far East.

Its Ferguson subsidiary, which has lost 1,000 jobs as part of a reorganisation of its two factories, is now expected to be back in profit for the full year. Its capacity of about 700,000 sets a year is about the minimum size for profitable TV production. But there are doubts about whether a relatively small supplier will be able to stay profitable because of the cost of keeping up with changing manufacturing and component technology.

TECHNOLOGY

Ian Hamilton Fazey on improved prospects for a barrage—and the novel way in which it could be built



THE WAY ACROSS: In a novel approach, two supertankers would be used as movable coffer-dams, being sunk as required and then refloated for movement to the next place. Diaphragm walling would be used to build compartments for the barrage, its turbines and sluices in the sandfill which the supertankers would enclose.

Stage one shows the supertankers — very large crude carriers (VLCCs)—in place for construction of the right-angled corner wall of the barrage's shipping lock. They are moved end-on to each other to build the lock's side wall (stage two) and then at right angles to each other again to build the other corner (stage three). Stage four sees them sunk parallel to each other a little over the width of the barrage apart, with a temporary steel bulkhead enclosing the sand-filled area between them. The next compartment of the barrage is then built in the sandfilled area. The action then switches to the opposite bank, the process involved in stage four being repeated in stages five, six and seven. The sluices have to be built first so that they can be opened to allow the river to flow by while the central, turbine sections are under construction.

Supertanker across the Mersey…

BEHIND THE announcement this week of vastly improved prospects for an electricity-generating Mersey barrage lies some advanced construction technology that has enabled previous estimates of costs to be slashed by 39 per cent.

The likely cost reductions, from £726m to £444m for the most attractive route, may make all the difference between go-ahead for the barrage or not. The rule of thumb for securing Government and public sector support for such projects is a discounted rate of return of 5 per cent on the investment.

The old price of construction, calculated roughly pro rata by scaling down cost estimates for a much more ambitious Severn barrage, would have yielded barely that. The new one would give nearer to 10 per cent if everything went to plan, about 8.5 per cent given average contingencies and 6.5 per cent if everything that could go wrong did so.

The barrage, in effect, a mile-long dam across the Mersey, would work by sluices being opened to let in the incoming tide and then closed to force the ebbing tide through turbines set in the barrage to *generate electricity*.

The amount, 1,200m kilowatt hours, is only 0.5 per cent of annual demand in England and Wales, but it is worth about £1m a week and would be virtually free for a century after the barrage has repaid its construction costs in the first 25 years.

Similar technology was used on the Mersey during the construction of the Royal Seaforth Dock in the early 1970s. It involves a technique known as diaphragm walling. Its effectiveness has been proved since, with the construction of the Redcar ore berth and the Royal Portbury lock at the Port of Bristol.

To make diaphragm walling work, a huge island of sand has to be created. Grabs and augers are then used to dig deep trenches in the sand, where concrete will eventually be poured to form the barrage walls. To hold the trenches open until then, they are filled as they are dug with a thixotropic mud slurry.

Thixotropy is a property of some liquid mixtures and suspensions where viscosity increases with time if the mixture is left undisturbed. Paint is a good example. It hardens slowly if it is left standing but can be returned to a more liquid state if stirred.

Thixotropic mud, therefore, thickens as it lies in the trenches, keeping them open. When everything is ready, steel reinforcing bars are positioned in the trenches and long, trunk-like, "elephant tubing" is pushed down through the mud to the bottom.

Concrete is then poured down the elephant tubing. It spreads throughout the trenches from the bottom up, disturbing the mud enough to make it flow again and displacing it over the top.

The method is nearly 20 per cent cheaper than traditional techniques that use concrete or steel caissons. Moreover, caissons were thought to be risky in the Mersey because of difficulties of making them fit and doubts about whether they would enable the barrage's foundations to be dug deeply enough.

During construction of Royal Seaforth, about a mile downstream from the proposed barrage, a layer of cobbles was found beneath the estuary bed. If the barrage were not set deep enough in the bed, there would probably be seepage underneath it. Diaphragm walling would enable the foundations to cope with this.

The other advantage of diaphragm walling over caissons is that it is quicker — it would take seven years to build the barrage compared with nearly nine. So payback would be faster, improving the rate of return.

However, knowing about the technology is one thing; making it work is something else. The problem with diaphragm walling is that the island of sand has to be kept stable in a hostile environment of fast, powerful, 30 ft tides and frequent gales while it is being worked on. At Redcar there was a plentiful supply of slag available which was dumped around the sand island's perimeter to stabilise it.

This is where the study group responsible for the Mersey proposals has found a novel, imaginative approach. The group is made up of the consulting engineers, Rendell Parkman and Martinetech North West and members from Salford University and the University of Manchester Institute of Science and Technology.

They suggest buying two redundant supertankers and using these as movable defences. Each would be about 250,000 dwt and be 300m long by 50m wide and 25m deep.

The basic idea is to sink the ships parallel to each other but with a gap between them, and then pump sand into the gap to create an island. When work on this island is finished, the ships would be refloated, moved along a bit, and sunk again to create the next island.

The barrage would thus advance across the Mersey in a series of islands, starting from the banks and moving inwards. The diagram shows how the supertankers would first be used to create the walled enclosure within which the barrage's shipping locks would be housed before progress across the river began.

The bows of the ships would be cut off and modified so that steel shutters could be fitted across the gap between them to provide a temporary bulkhead when sunk. The sterns would be alongside part of the last piece of work and the temporary bulkheads involved at that end would be much simpler.

Supertankers have been used before in maritime construction work. The study group's report to Merseyside County Council, without which, incidentally, the idea of a barrage would never have been investigated seriously, has a photograph of one being manoeuvred into place to close a dyke in Korea.

But the idea of using two, and in the way envisaged, appears to be new and could well be copied elsewhere.

Now a consortium of private- and public-sector interests must be formed before the project can be started. Meetings have taken place to try to form one.

More studies will be needed to check out environmental factors and a battle is foreseen with conservationists.

But it looks as though it can be done and that tidal power can be harnessed very profitably. If so, it would strengthen the case of supporters of such schemes that alternative energy in Britain need not just be concerned with cranky ideas or nuclear power.

Predicting clarity of speech

BRUEL AND KJAER, an instrument company, has a unit that can predict the degree of transmitted speech intelligibility at a particular location in a public hall or in semi-open areas such as railway stations.

The transmitter segment of the instrument is placed on the stage, rostrum, pulpit, or at the loudspeaker location. It emits tones designed to simulate the human voice which are picked up by the receiver at the listening position.

Readings between zero (very bad) and one (excellent) are obtained. The process takes only 10 seconds per location, allowing an auditorium to be mapped in an hour or two.

Signalling a tough cable

A TOUGH signal and power cable supplied by Delta "T" of Potters Bar overcomes the problem of lowering long lengths of cable into oil and gas bore holes where high temperature and pressures have to be accommodated, as well as the suspended weight of the cable.

These "down-hole" logging cables can support their own weight in lengths up to 30,000ft and are designed for continuous temperature and pressure monitoring in oil, gas and geo-thermal wells. Limiting figures are up to 1500 degrees F and 15,000 lb/sq in.

With an external sheath of stainless steel, the cable is resistant to brine corrosion and can be used where steam is being injected.

Sensing cable is also available in which, for example, a thermocouple for temperature measurement and a high pressure capillary for pressure measurement are built in.

More on 0707 44866.

How underpants by robot could lead a revolution

FOR FOUR weeks Courtaulds Clothing has been experimenting at its Coventry research centre with a method of making men's underpants that could lead to a revolutionary change in the way all clothes are produced.

The process involves the use of robots and is so technically advanced that the EEC is about to announce backing for the £2.5m project, being undertaken in conjunction with GEC Electrical Projects and West Germany's sewing machine manufacturer, Pfaff.

The use of robots in industry is nothing new but until now no way had been found of successfully handling an unstable fabric. Courtaulds believes it has cracked this problem and can point to examples of underpants having been made entirely without an operative other than the person who feeds the fabric panels into the system.

These are very early days, according to Mr Mike Drury, a director of Courtaulds Clothing. "It is probably five years before this process could become a commercial proposition.

"What we are convincing ourselves now is that robots can handle unstable fabrics as well as stable solids such as pieces of metal."

The EEC is sufficiently interested in the project to put up half the cost which is being funded £1m by Courtaulds, £1m by GEC and £500,000 by Pfaff. The European finance is coming from its Basic Research in Industrial Technologies for Europe scheme, known as Brite.

The importance of the Coventry research is that it could allow a bank of unmanned sewing machines to work simultaneously with just one operator. Studies in Japan have suggested one operator might be able to control between 15 and 20 sewing machines. Labour is a high proportion of most clothing costs because of the amount of handling involved. In lingerie it can be 60 per cent of total cost, and the proportion rarely falls below 40 per cent.

Any system that replaces workers with a single machine or workstation offers the possibility of radical savings.

Courtaulds is not alone in working on robot technology for the clothing industry. The Japanese launched a £40m research project three years ago. This is expected to continue for at least another five years.

Courtaulds approached the Japanese two years ago to see if it could be associated with the project. It was rebuffed.

There is also a project in the US at the Massachussets Institute of Technology but this is highly specific, being concerned only with upholstery for the motor industry.

Having been snubbed by the Japanese, Courtaulds decided to go it alone.

Mr Drury says: "The Japanese are essentially looking at how to advance the technology of joining pieces of fabric together.

"We did not want to go along that path. We wanted to concentrate on the sewing machine by looking at, for instance, what to do if the needle breaks or the bobbin needs replacement, all the things the operator does.

"We built an experimental rig that could sew and partially assemble a garment and started working with it.

"Our need was a sytem that was totally flexible. Not just in being able to handle an unstable material, like fabric, but one that could cater for changing fashions and styles and short-order runs.

The result was that the two UK companies and Pfaff, one of the world's leading sewing manufacturers, signed a commercial agreement last July under which Courtaulds and GEC would develop the technology using Pfaff sewing machines. Pfaff would have the first worldwide rights on marketing.

The objective of the project is to spend th enext two years designing the system and then use the third year to turn the system into a prototype. It would probably be at least a further two years before this could be turned into reality in the factory.

For Courtaulds the system is a confirmation that it is committed to the production of clothes. For GEC it is evidence that such advances now have to be undertaken co-operatively.

Courtaulds may be working experimentally, on underpants but Mr Drury is convinced robots could eventually be used for the production of all clothes that are two-dimensional, probably 70 per cent of the total output.

ANTHONY MORETO

Radical reforms planned for taxes on property

BY RICHARD EVANS

RADICAL proposals for the reform of Britain's system of rates (property taxes) were presented by the Government yesterday in an attempt to end the political turmoil over local authority finance.

Council revenue is partly raised by rates and partly by grants from central government.

The key elements in the package, introduced in a Green Paper (consultative document) by Mr Kenneth Baker, Environment Secretary, are the gradual replacement of domestic rates by a community charge or poll tax and the introduction of a national business rate.

Neither will start to be introduced in England and Wales before 1990, however, and there remains a question mark over the Government's commitment because of the adverse impact the proposals would have on a wide range of business and domestic ratepayers.

After several months of consultations, Mr Baker intends to publish a White Paper (policy statement) containing the Government's final version in a year's time. This will then become a commitment in the Conservative Party's next election programme.

The most controversial proposal is to freeze domestic rate bills in 1990 and to replace them by a flat-rate community charge, starting at a low level of around £50 an adult and gradually increasing the tax to £200 or £250 by the turn of the century.

By this means, rates would play an increasingly less significant role and could eventually be phased out altogether.

After the transition period the Green Paper estimates that just over half of households would be better off under a community charge. The main beneficiaries would be households with a single adult while the main losers would be households with two or more adults.

The non-domestic rate would be abolished from April 1990 and replaced by a uniform national rate levied on all commercial and industrial property. The proceeds would be pooled and redistributed to all local authorities on a per capita basis.

The intention would be to ensure that the non-domestic rate provided the same proportion of cash for local authorities. Future increases in the poundage would be linked to the level of inflation to ensure that business rates continued to meet a fair share of local spending.

Mr Baker told the House of Commons that his proposals were an attempt to find a way of paying for local government which would narrow the existing gap between those who voted, and those who paid, for local services.

The business rate and simplified grant arrangements would produce the clearest possible relationship between changes in spending and changes in tax bills, he claimed.

His statement was broadly welcomed by Conservative MPs, but Dr Jack Cunningham, Labour's environment spokesman, called the Green Paper "a vain attempt to redeem the Prime Minister's repeated pledge to abolish domestic rates.

He claimed the proposed uniform business rate would lead to a centralisation of power which would undermine local democracy and accountability.

RATE REFORM PROPOSALS

The phased introduction of a community charge, or poll tax, from 1990, linked with the freezing of domestic rate bills.

Transition period of 10 years in England and Wales before domestic rates are phased out completely.

Revaluation of all non-domestic rates by April 1990.

Non-domestic rates to be set by central government and distributed to local authorities on a per capita basis.

Simplification of central government grants system.

Thatcher refuses to cut oil production

BY DOMINIC LAWSON

THE UK will not cut its oil production as a means of helping the Organisation of Petroleum Exporting Countries (Opec) to stabilise the oil price, Mrs Margaret Thatcher, the Prime Minister, and Sir Peter Walters, chairman of British Petroleum, made clear yesterday.

Last week Sheikh Ahmed Zaki Yamani, the Saudi Arabian Oil Minister, said that, unless non-Opec producers, particularly the UK, helped Opec in this way, the oil price would collapse below $15 a barrel.

Mrs Thatcher told MPs yesterday that the Government would not intervene in the oil companies' rights of full production from their North Sea fields. "The UK maintains the freest oil province in the world," the Prime Minister said.

Sir Peter Walters argued that rapid production cutbacks by the Opec countries were necessary to stabilise the oil price and that it was "impossible to envisage a group of non-Opec countries organising proportionate production cuts in time."

Sir Peter argued that no such worldwide production sharing agreement was possible without the assent of the world's largest producers, the US and the Soviet Union. But for differing reasons neither would take part in such a plan.

The oil market was as uncertain now as it had been in the aftermath of the Iranian revolution, said Sir Peter. He said: "We are outside the parameters of normal supply and demand." However, he believed that Opec would act to cut its production from the current level of over 18m b/d and that oil prices would strengthen in the spring.

The recent fall in oil prices below $20 a barrel has not yet had an adverse impact on North Sea exploration and development. Yesterday Mr Alick Buchanan-Smith, the UK Energy Minister, gave the go-ahead for a plan to develop two North Sea oilfields, Ivanhoe and Rob Roy.

They are the first North Sea oilfields to be operated by Amerada Hess, of the US, which last year acquired Monsanto's 38.3 per cent interest in the fields for about $120m. The development will involve the placing of contracts worth about $375m.

Oil was discovered on Ivanhoe in 1975 and on Rob Roy in 1984. Total recoverable reserves are about 88m barrels, with an economic field life for both of about 10 years. Oil is expected to start flowing in 1988, reaching peak output of 50,000 b/d.

The other licensees are Deminex, Kerr-McGee, Pict Petroleum and Whitehall Petroleum, a subsidiary of Pearson, the parent group of the Financial Times.

Commercial Court reform proposed

By A. H. Hermann, Legal Correspondent

A RADICAL simplification and acceleration of Commercial Court procedures is likely to come into effect on March 1, following the publication yesterday of a report by a working party.

The report is expected to be approved at a general meeting of the Commercial Court Committee on February 25. Most of the proposed changes can be carried out within the present rules.

The report was unveiled yesterday by Sir John Donaldson, Master of the Rolls (president of the civil division of the Court of Appeal) deputising for Lord Lane, Lord Chief Justice. Lord Lane has operational control over the Commercial Court, but appeals from it go to the civil division of the Court of Appeal.

The recommendations are supported by both Lord Lane and Sir John, whose influence was probably decisive in allowing the proposals to emerge. In some respects they go further than the simplification of procedure he introduced in the Court of Appeal.

Because the court's workload has grown, the waiting time for trial threatens to extend beyond 18 months.

The proposed changes would require parties to submit a list of issues, legal propositions, a chronology of relevant events, a description of people who feature in the dispute and a menu giving the sequence of topics to be dealt with.

The changes would also cover the preparation of evidence and the exchange of information between parties.

The procedure aims to avoid the lengthy introductory speeches of lawyers, often lasting weeks, and instead to adopt the US practice of a brief statement of agreed facts.

The reading of authorities and documents in court would be cut out, and judges would hand down written reserved judgments instead of reading them.

Power plant's £100m refit to go ahead

A £100m project to convert a large oil-fired power station in Northern Ireland to solid fuel is to go ahead in spite of the recent steep slide in world oil prices, writes Maurice Samuelson.

Northern Engineering Industries, the Tyneside, north-east England, power engineering group, has announced that it has won almost £40m worth of orders to convert two boilers at the Kilroot power station, on Belfast Lough, enabling them to burn solid fuel as well as oil, for which they were designed.

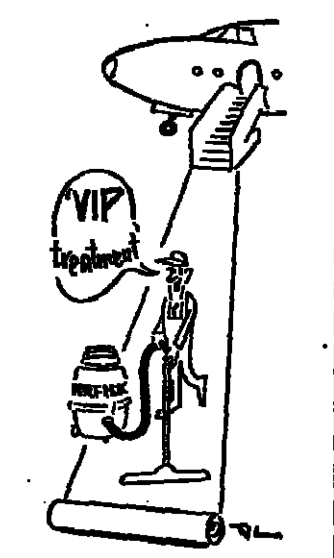
When the project was given government approval at the end of last year, it was envisaged that it would cut the province's fuel bills by about £30m a year. Although the latest drop in oil prices cuts these savings by about half, they are still enough to make the project attrative.

□ **AIRCRAFT** fatalities reached their worst level last year, but when the toll was measured against the increasing volume of world air transport, there was no evidence of declining air safety, according to the Civil Aviation Authority.

□ **HALL RUSSELL** shipyard managing director Mr Gordon Hilton, has said he will lead a group seeking to buy the Aberdeen, Scotland, yard from British Shipbuilders. Mr Hilton would not reveal the names of other participants but said they did not include the staff or workforce at the yard.

□ **ULSTER UNIONISTS** who have returned to Westminster to take up their seats after last week's by-elections have decided not to boycott Parliament as they had earlier planned, but to keep their position "under review."

□ **OPTICA INDUSTRIES**, the new company that has taken over the former Edgley Aircraft, builder of the "bug eye" Optica light observation aircraft, is recruiting staff. The company was rescued in December after going into receivership late last year when its financial backers withdrew support.



UK NEWS

Union launches unique benefits package

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LEADERS of the EETPU electricians' union yesterday launched a unique, comprehensive package of financial benefits for the union's 350,000 members which provide advantageous rates on services ranging from unit trusts to vehicle breakdown and recovery.

The EETPU's package is likely to prove controversial within the trade union movement. Some unions are likely to see it as a further attempt by the electricians to expand their membership base, in line with the EETPU's range of strike-free deals and its alleged activities within News International's new printing plant at Wapping, east London.

The EETPU is one of the most industrially powerful unions in the UK, but its new stress on services to members may reflect an increasing emphasis by trade unions on providing gains and benefits to union members through non-traditional methods.

British unions have for long offered a piecemeal batch of membership services, including some now being promoted by the electricians, but no union has previously drawn them together into a full package of benefits.

Mr Eric Hammond, EETPU general secretary, said: "We are breaking entirely new ground for the British trade union movement and are once again in the vanguard of change."

In additional to the traditional death grants and other benefits, and the union's high-technology training for members, the services now being offered by the EETPU include:

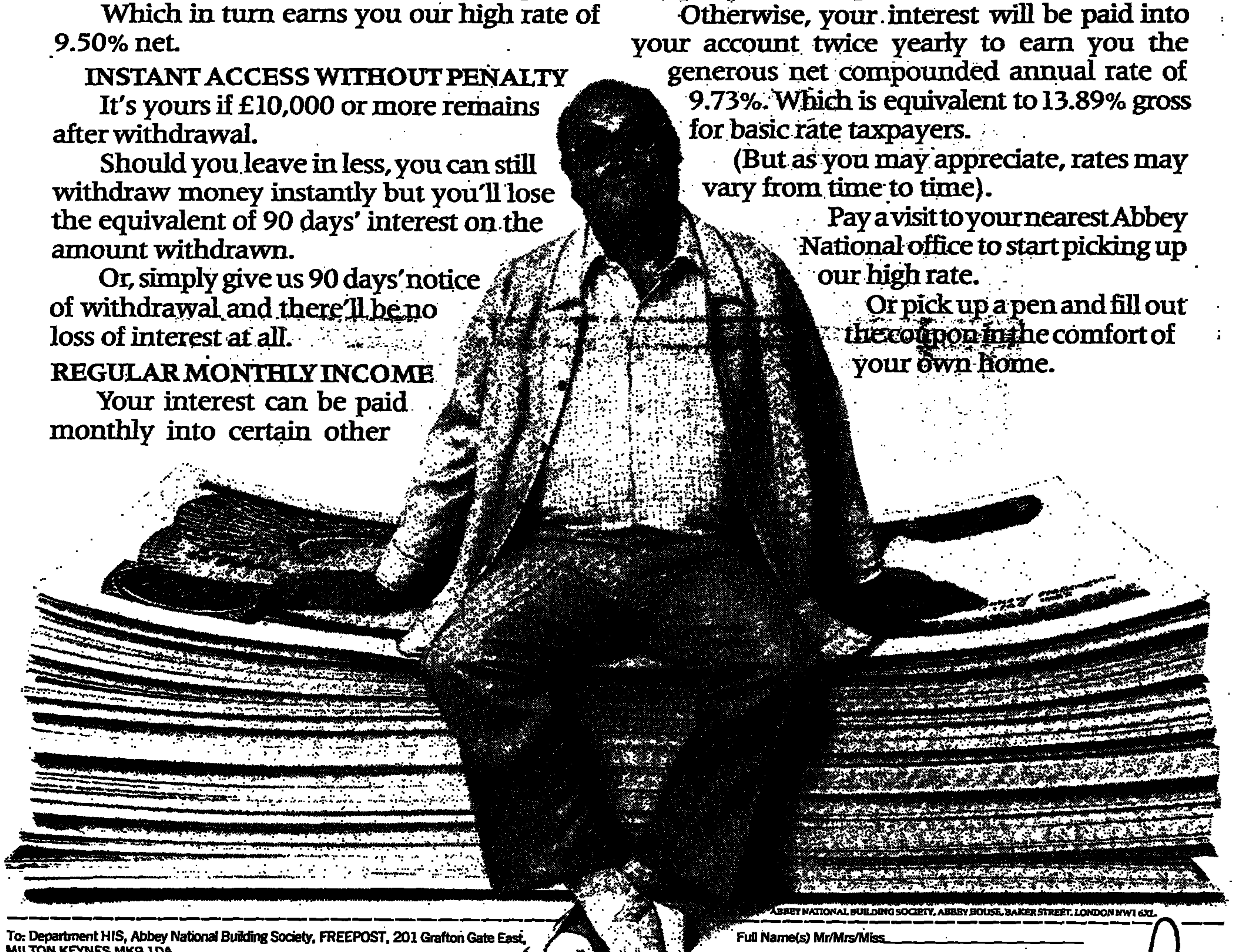
- House purchase. Introductions to the Halifax Building Society, with some fixed-price legal conveyancing. A discount of 20 per cent on Cornhill house insurance schemes.
- Car recovery. Special price membership of Octagon, a leading breakdown service.
- Life insurance. The union has set up its own insurance brokers.
- Savings. Preferential rates with the Bradford and Bingley Building Society and a 2 per cent bonus issue of units with M&G, Britain's largest unit trust group.
- Pensions. A new policy with Provident Mutual providing for buy-outs when leaving occupational pension schemes.
- Share advice. Formal arrangements with Foster Braithwaite, the London stockbrokers, and a Leeds insurance broker.

Mr Bob Clarke, managing director of Octagon Recovery, said: "This is a good move. They appear to be doing something for their members, as opposed to engaging in political infighting."

Mr Richard Coles, Halifax regional operations controller in London, said: "It will be an encouragement to union members to approach building societies if they have previously been afraid to do so."

Mr Michael Savory, a partner with Foster Braithwaite, said of the package: "It is both forward-looking and responding to its membership's needs." Mr Christopher Reading, controller of individual pensions with Provident Mutual, said: "It's a logical step for a union to recommend a package like this to their members."

In negotiating the deal, the EETPU was able to use as a bargaining counter not just the size of its membership but the fact that its computer-based membership records will allow the companies involved to reach easily a substantial and well-defined group with considerable expansion potential.



Bugs that breach the barriers of business secrecy

Charles Batchelor looks at the growing use of bugging devices in business and the methods being used to counter them.

THE DISCOVERY last Friday of an electronic eavesdropping "bug" taped under a table in the boardroom of Davenports, the Birmingham, Midlands, brewer, provided startling evidence of a growing threat to business confidentiality.

Davenports is fighting off a £53m takeover bid from its Midlands rival, the Wolverhampton & Dudley Brewery, so anyone listening in to boardroom conversations could have overheard discussions vital to Davenports' defence strategy.

Wolverhampton has denied involvement in the planting of the bug. Mr John Cully, chief security manager at Davenports, said he was keeping an open mind on who could have placed the £100 device, but "we have a couple of lines we are following."

Bugging is still rare in the British business world. Mr Cully, chief security officer with Thorn EMI, the electronics and leisure group, before he joined Davenports last March, said that, although he lectured regularly on bugs to other security officers in the Midlands, he had never come across one in use.

He found the small radio transmitter while carrying out a routine search of Davenports' offices. He called in a specialist security consultancy to carry out a full electronic "sweep" of the building, but no further devices were found.

Progress in electronics technology and in miniaturising devices such as transmitters have made sophisticated equipment available at low cost. The business world is now vulnerable to a threat more traditionally associated with military or government targets.

"You can walk into an electronic hobby shop in London's Tottenham Court Road or an airport duty-free shop and buy a device for as little as £10," said one security expert. Specialist electronics magazines regularly carry advertisements for devices "which will tap your home for burglars."

Bugs come in two main types – those which transmit a radio signal and those which are wired to a receiver concealed near, or sometimes on, the premises.

Radio transmitters are easy to install, provided the eavesdropper has access to the building, but usually depend on a battery with only a limited life.

However, there are devices on the market which can either plug into an electric socket or feed off a telephone or telex power supply. Wire transmitters are more difficult to install because the wire must be concealed, but they provide a better-quality recording. The receiver is typically placed in a neighbouring building or in a car parked in a nearby street. It could take the form of a tape recorder hidden in a room or on the roof of the building and triggered by a voice-activated microphone in the bugged room.

The theft of commercial information is not in itself unlawful, though a crime might be committed if offices were broken into to plant a bug. The use of an unlicensed radio transmitter would contravene the Wireless Telegraphy Act, though the penalties are relatively minor. The manufacture and sale of bugs is legal.

A growing number of industrial and financial companies, banks and professional people such as lawyers are becoming concerned at the threat and commission regular sweeps of their premises to detect any bugs.

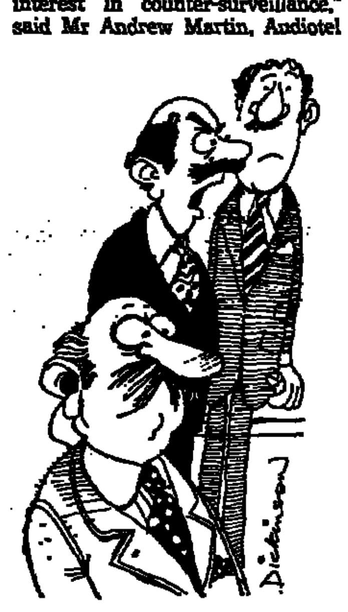
Mr Ken Lodge, managing director of Security Investigation and Protection Services, estimates that one in 10 of the sweeps carried out by his company uncovers a bug, usually a fairly simple device. An increasing number of clients commission a sweep every three to four months to make sure they are "clean."

Checking a multi-storey office block can take days or even weeks, but the job can be simplified by placing seals at vulnerable points such as telephone junction boxes.

The growing volume of business transacted by telephone, telex and automatic data transmission has made business communications easier to intercept.

It has also created a demand for counter-surveillance equipment. Audiotel International, a small London-based electronics company, makes a range of portable radio receivers which can scan frequencies in the 10 to 2,000 MHz range and lock on to the strongest signal.

"There is a surprising amount of interest in counter-surveillance," said Mr Andrew Martin, Audiotel



managing director. "Companies are used to shredding documents to protect the written word. They now realise the need to protect the spoken word. Some of the bugs around may be cheap and cheerful, but they can do damage."

Winkelmann Research and Development is a small company, based in Surrey, outside London, which makes more sophisticated receivers for a broader range of applications. It makes equipment which can detect small changes in the voltage of a telephone line, often a sign that a bug is tapping power from the line.

But according to some security experts the main threat to commercial secrets comes not from electronic devices but from the failure of the City of London and industry to take even basic precautions.

Many companies assume they can count on the loyalty of their staff, ignoring the fact that maintenance personnel come in to their offices.

The rapid turnover not just of junior staff but also of more senior executives has also eroded company loyalty. People leaving a company to join a rival or to set up their own business may be tempted to steal sensitive information.

Seniority in an organisation is no guarantee of loyalty. The partner of one large City of London institution was found to be passing confidential information to outsiders. He was only traced through the firm's telephone system, which recorded an unusual number of calls being made on his line late in the evening.

UK NEWS

Philip Stephens, Economics Correspondent, analyses the latest CBI survey on industrial trends

Manufacturers report decline in orders

SLOWER GROWTH in output and the first decline in orders since 1983 are reported by Britain's manufacturing companies in the latest quarterly industrial trends survey conducted by the Confederation of British Industry.

The survey shows a slight pick-up in business confidence since companies were last questioned in October, but the trends in output, orders and employment have all worsened.

That in turn is reflected in a fall in the level of capacity utilisation, with the number of respondents reporting that they are operating below capacity rising to above 50 per cent. "This survey confirms the deceleration in the growth of the economy," the CBI says.

Cost pressures on manufacturing companies, which in October were the weakest for 18 years, have subsequently picked up slightly, but the rate of increase is still relatively low. Price increases over the past four months were at their lowest since 1982 although over coming months they are expected to rise more quickly.

The CBI says that a majority of the 1,541 respondents to its questionnaires replied after the 1-point rise in base lending rates on January 8, a factor which may have dented confidence.

Companies would have been aware of part of sterling's recent fall against the D-Mark and other European currencies although the sharpest drop came after the survey had closed.

Replying to the question on business confidence, 68 per cent of companies said that their level of optimism was the same as in October, 16 per cent reported an increase and 17 per cent reported a decrease (the total is more than 100 per cent because of rounding).

The CBI says that the resulting percentage balance (the proportion of companies reporting a rise less those reporting a fall) of minus 1 per cent suggests that companies expect little change in the economic outlook. The balance in October was minus 6 per cent.

Small companies, with fewer than 200 employees, are shown in the survey to have done relatively better than their larger rivals in a number of areas. They expect better levels of orders, output and employment than bigger companies.

Of industry sectors covered, companies in the food, drink and tobacco sector are the most optimistic, while those in electrical and instrument engineering are particularly gloomy.

Output and orders: Companies are still reporting higher output, but the pace of growth appears to be slowing. A balance of 6 per cent of companies said their production had risen over the last four months, down from 10 per cent in October and the lowest figure since January 1983.

The largest companies and the capital goods sector were the worst affected, with the metal manufacture and electrical and instrument engineering sectors both showing negative balances.

The expected trend in output has also slowed, with the balance of companies expecting to produce more over the next four months falling to 4 per cent. That follows 11 consecutive surveys when the balance has been over 10 per cent.

The most optimistic sector is the paper, publishing and printing industry, which shows a balance of 32 per cent expecting higher output.

For the first time since January 1983 the balance of companies reporting higher orders over the last four months is negative (minus 2 per cent), but some increase is expected over the next four months. The balance of 9 per cent anticipating an improvement in orders, however, is the lowest for three years.

The proportion of companies with less than three months production accounted for by order books has risen to 65 per cent.

Capacity and Constraints to Output: Below-capacity working is reported by 54 per cent of companies. This is back to the levels of early last year after two surveys in which a majority of companies had reported working at capacity.

In the textile sector only 27 per cent of companies are reported to be working below capacity, but the electronic industrial goods sector shows 86 per cent with spare capacity.

The main constraint on output remains a shortage of orders or sales, reported by 83 per cent of companies compared with 79 per cent in October. The latest response is the highest since 1983 and has affected the largest companies more than others.

Skilled labour shortages have decreased and are reported by only 10 per cent of companies after two surveys in which 15 per cent was reached. In the food, drink and tobacco, the chemicals and the metal manufacture sectors only 1 per cent of companies said they faced shortages. In contrast, 25 per cent of textile producers reported problems finding skilled workers.

Stocks and Investment: Stocks of raw materials held by manufacturers have fallen since October, and a balance of minus 13 per cent expect a further reduction over the next four months.

The recent behaviour of stocks may indicate a change in underlying economic trends, and there seems every prospect that they will continue to fall, the CBI says.

The survey also indicates a slowing in the pace of business investment, with a balance of only 2 per cent of companies anticipating increased expenditure on plant and equipment over the next year.

The reasons quoted by companies for additional capital spending are dominated by increased efficiency. The 78 per cent citing that as the key factor is close to the highest ever figure of 79 per cent reported in April 1985. Some 23 per cent of companies said that expansion of capacity was the principal reason for increased outlays, the same number as in October but below the level in the previous two surveys.

The most important factor limiting capital expenditure was uncertainty about demand which was quoted by 49 per cent of companies.

Employment: Manufacturing companies are pessimistic about the outlook for employment growth with a balance of minus 16 per cent of companies reporting extra jobs. The CBI says that this represents the most negative response since January 1984, with increases in the number of jobs in small companies being more than offset by losses in larger companies.

The expectation is for a further drop in employment over the next four months, and the CBI estimates that about 5,000 jobs a month will be lost in the first four months of this year.

Costs and prices: A faster rate of cost increases is expected over the next four months after the exceptionally small rises of the past few months, but the CBI says that inflationary pressures are still subdued.

A balance of 25 per cent of companies expect to put up their prices over the next four months, up from the 17 per cent figure recorded in October, an increase which the CBI believes may reflect annual price reviews in many companies.

The largest companies expect the lowest price increases, with a balance of only 9 per cent expecting to raise their prices. Among different sectors electrical and instrument engineering companies actually expect to lower prices while the highest increases are anticipated by metal products manufacturers.

Exports: The latest survey shows that export optimism has been static since October with companies equally divided between those reporting an improved and those reporting a deteriorating outlook.

A balance of minus 6 per cent of companies reported lower export orders over the past few months, the first negative result since October 1983 and showing a persistent decline since the peak of plus 30 per cent in April of last year.

A balance of some 7 per cent, however, expect an improvement in the order books over coming months. The CBI says that figure could be boosted further if sterling's recent weakness persists.

CBI Quarterly Industrial Trends Survey, January 1986. Annual subscription £100 to members, £160 to non-members, from CBI Economic Trends Department, Centre Point, New Oxford Street, London WC1A 1DU.

Tidal dam planned across Mersey to generate electricity

BY IAN HAMILTON FAZEY

A COMPANY is to be formed in the next two months to develop an electricity-generating Mersey barrage. This was agreed yesterday at a meeting of private and public-sector interests in Liverpool.

Initial needs are for £500,000 to complete feasibility studies. Private-sector representatives indicated that they would put up half if that was matched by the public sector.

The barrage – in effect, a dam across the Mersey, costing up to £444m – would work through sluices being opened to let in the flowing tide and then closed to force the tide through power-generating turbines when it ebbed. New studies have shown that it should pay.

Mr Alan Osborne of Tarmac said yesterday: "The private sector sees this as a viable project which could sell electricity at a reasonable profit. The private sector is backing this scheme."

The reason for the two-month deadline for setting up the development company is that the main sponsoring agency for work on the barrage, Merseyside County Council, is due for abolition at the end of March.

The company would take up where the council left off, raising funds from research councils, the European Commission and interested public-sector bodies such as the Central Electricity Generating Board and the Mersey Docks and Harbour Company.

The Government's means of channelling money into the project would probably be through the Merseyside Development Corporation, which has responsibility for regenerating redundant dockland. The barrage, which would also turn the Mersey basin into a stable lake of present half-tide depth, would help this process immensely.

Government urban policy in depressed places like Merseyside has been to match private-sector investment pound for pound.

The work that needs to be completed is on how the barrage would affect silting in the Mersey estuary and also its impact on the environment. The Mersey basin is an important wintering ground for many European species of birds.

Tarmac and Costain expect to lead the construction industry's involvement in the project. Tarmac is a leading exponent of new, in situ construction techniques, the likely use of which has transformed the profitability of the project from the initial projections of studies made five years ago.

Technology, Page 8

Trade surplus rises to £3.5bn for year

BY GEORGE GRAHAM

BRITAIN'S trade balance moved into surplus in December as non-oil exports improved. But, for the whole of 1985, visible trade showed a deficit of £2bn.

The Department of Trade and Industry (DTI) said yesterday that the current account of the UK balance of payments – which includes earnings from invisible transactions such as overseas investments as well as visible trade – was £3.5bn in surplus for 1985.

This was well ahead of the Government's projection of £3bn, after a surplus of £891m in December.

The current account surplus in 1985 was more than three times as large as in the previous year while the deficit on visible trade was half the 1984 level.

The UK deficit in non-oil trade fell to £10.3bn in 1985 from £11.2bn in the previous year while the surplus in oil trade grew from £7.1bn to £8.2bn. The balance of invisible trade was estimated to be in surplus by £5.6bn, compared with £5.2bn the previous year.

In December there was a surplus on visible trade of £125m, compared with a deficit of £132m in November. The surplus on oil fell by £22m to £652m while the deficit on non-oil trade narrowed to £528m.

Exports of manufactures had increased in value by £195m in December, with about half of the rise coming from higher deliveries of capital goods, the DTI said. Oil exports fell by £48m.

Total imports were £139m lower last month than in November, reflecting a 6 per cent fall in imports of finished manufactures. Oil imports fell by £28m.

Between 1984 and 1985 UK exports are estimated to have increased in volume by 6 per cent, outpacing the growth in imports of 4 per cent. Exports of manufactured goods increased in volume by 8.5 per cent while imports of manufactures grew by 6 per cent.

Over 1985 as a whole, the terms of trade index rose by 5 per cent. The export unit value index stayed unchanged while the import value index fell by 5 per cent.

TSB Scotland pays £9m for estate agency

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

TSB SCOTLAND is paying £9m to acquire Slater Hogg and Howison, one of Scotland's largest residential estate agencies.

The deal, which mirrors Lloyds Bank's continuing acquisition of estate agencies under the Black Horse banner, means that TSB Scotland becomes the first bank in Scotland to provide an in-house estate agency for its customers.

Under the agreement, Slater Hogg will become a wholly owned TSB Scotland subsidiary although it will continue to trade under its own name. The three principals of the business, Mr Ian Hogg, Mr Geoffrey Howison and Mr George Storrie, will join the new board of the company, along with Mr Ian Macdonald, chief general manager, and Mr Tony Davidson, general manager of TSB Scotland.

Slater Hogg has 19 outlets throughout central Scotland and has developed a range of marketing methods, including mortgage "shops," a discount package for property-related goods and a monthly property magazine. TSB Scotland currently operates 280 branches.

Mr Davidson said that the Slater Hogg branch network would be used to increase the range of financial services available to customers and non-customers of the bank. The purchase of an estate agency will complement TSB Scotland's mortgage and property insurance service, which will, in turn, be offered through the new network.

Investigation urged

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

THE DEPOSITORS' Association, which last year brought the legal case which halted the Trustee Savings Bank flotation plans, yesterday announced new measures against the management of the TSB Scotland.

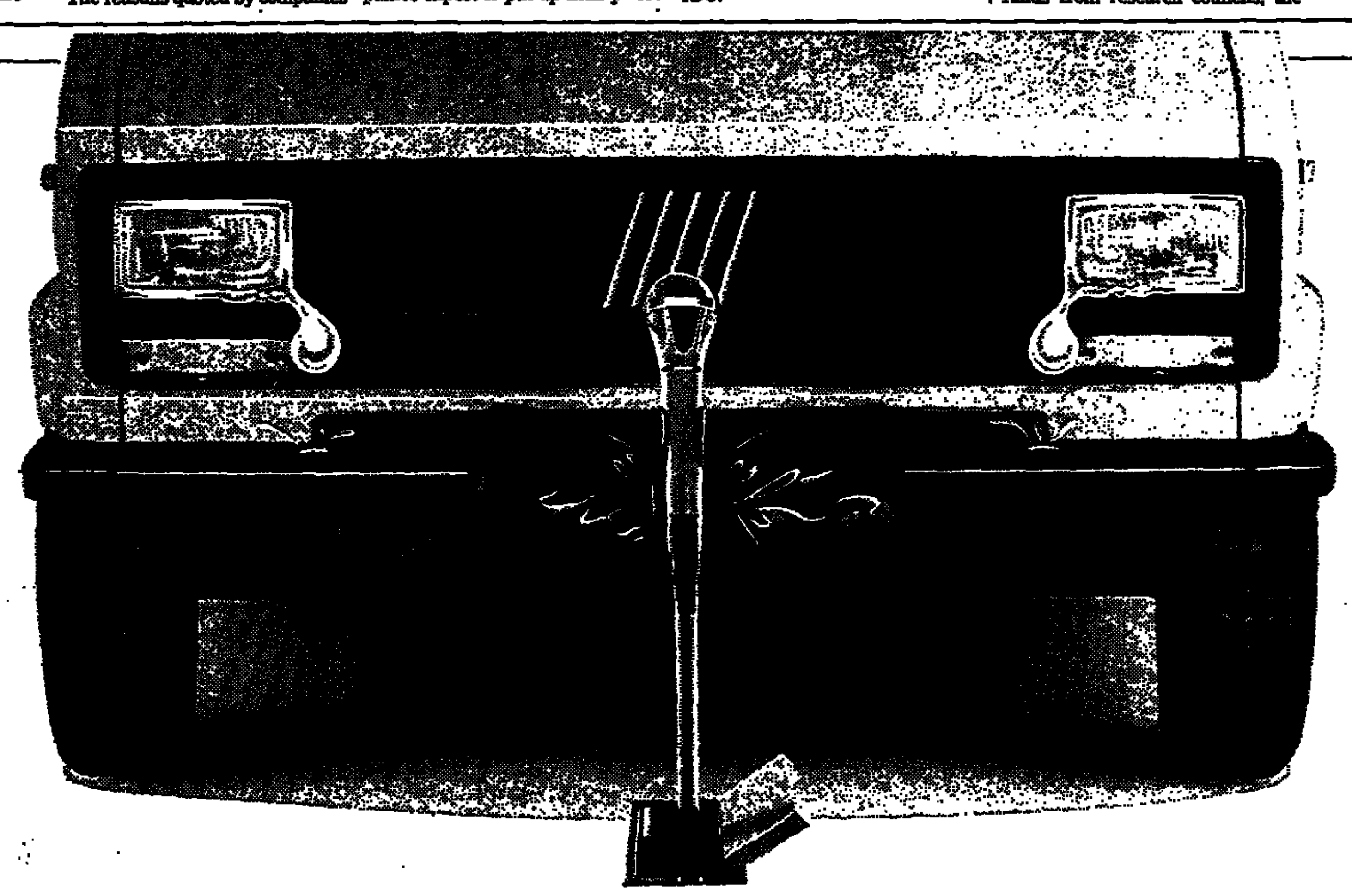
Mr Jim Ross, a retired Under-Secretary at the Scottish Office who has led the depositors' action, said his group would apply to the Registrar of Friendly Societies seeking a possible investigation of the TSB because it had allegedly deceived the depositors and the public about the issue of its ownership.

The Scottish Court of Session in Edinburgh, in an action brought by the depositors, ruled against the bank last November and said that the TSB belonged to its depositors. The ruling forced the bank to halt its planned flotation on the London Stock Exchange which would have given ownership of the TSB to shareholders.

The TSB has appealed against the decision and still hopes to go through with the flotation in the summer.

Mr Ross added that his group also wanted an investigation because, he claimed, the trustees of the bank had failed to meet the expectations of the depositors and because the bank had wasted money in preparing and then aborting the flotation plans.

The Registrar of Friendly Societies can order an inquiry if he feels the conduct of the bank has been called into question.



UK NEWS

Welsh agency learns lesson of Parrot affair

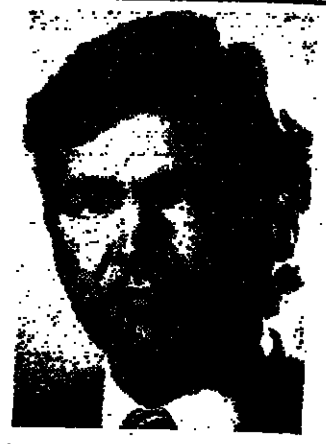
Robin Reeves assesses the troubled background to funding Britain's first floppy disk maker

LAST JULY, the Duke of Kent flew to South Wales to open what was described as Britain's first fully integrated floppy disk manufacturing facility — Parrot Corporation's 65,000 sq ft plant to make flexible computer disks at Llantarnam industrial park, Cwmbran, Gwent.

Six months on, Parrot's affairs have been the subject of a police fraud investigation and a political dispute which has had important repercussions for the investment policies of the Welsh Development Agency (WDA).

The project was born 18 months earlier out of an exceptionally big £7m venture capital package and was hailed as the largest venture capital start-up in Western Europe.

The lead investor was the WDA with an equity stake of £1m, followed by Legal and General and CIN Industrial Investments (£700,000 each) and Commercial Union Insurance (£300,000). The City of London financial institutions were pulled into the deal by the Development Capital Group.



Mr Frank Peters, Parrot's former managing director.

The founding directors of Parrot, mostly from the US, had a £300,000 stake. Three were former employees of Wabush, a US floppy disk manufacturer. Now they wanted to go into business on their own account. The Inland Revenue had agreed a tax-reducing arrangement whereby their salaries would be paid into a US-based corporation as fees for consultancy services to Parrot.

A £2.5m loan from the European Coal and Steel Community (ECSC), plus other regional aid grants, and the WDA's provision of the environmentally controlled factory worth £2.5m on lease, meant the whole project was worth around £10m.

The royal opening appeared to put a final seal of approval on the harnessing of US technological knowhow and management, and a partnership between UK public and private-sector finance. It had already created 90 jobs for Wales and promised a total of 300 eventually.

But behind the scenes alarm bells were ringing. Within two months the man who had proudly shown the Duke around the new facility, Mr Frank Peters, 37, Parrot's £60,000-a-year managing director and leading private shareholder, found himself in a cell in a London police station.

The Chicago-trained lawyer and former president of Wabush went to the station voluntarily, after receiving a message that the police wanted to see him.

At 4am officers entered the cell, handcuffed Mr Peters, bundled him into the back of a car and then drove "at speeds in excess of 120 mph," he alleged later, to Gwent police headquarters in Cwmbran.

Only later that morning was he allowed to contact his solicitor. At 6pm he was questioned about Parrot's finances by another police officer before being told he was free to go — 24 hours after being first detained. He described it as a "stunning experience."

Three other people were taken in to help the police with their inquiries. One was Mr Neil Taylor, a member of the WDA's investment staff during the period when the Parrot deal was being stitched together. He later left the agency and worked for Parrot as an independent financial consultant.

Within days of Mr Peters' detention and release — the police say they were acting on a tip-off by the Welsh Office — news broke that a police fraud investigation was under way into Parrot's affairs and that the company was in financial difficulties and needed an additional capital injection.

Welsh Opposition MPs, led by Mr Leo Abse, demanded an explanation.

Mr Nicholas Edwards, Welsh Secretary, invited Mr Douglas Baker, chairman of the chartered accountants Touche Ross, to carry out an "internal inquiry" into the WDA's handling of the Parrot investment.

In early November Mr Peters was voted off the board of the company by the directors representing the institutional shareholders. His removal was made a condition of the injection of additional funds by the WDA, which had had to go cap in hand to the Treasury for authorisation, since loans to Parrot had already reached its £1m ceiling.

The other institutional investors agreed to this condition as they also provided additional capital. Mr Peters was replaced by Mr Edward Hoeske, previously director of manufacturing and one of the two other Wabush employees who had joined Mr Peters at Parrot.

The other was Mr James Robson, who continues as marketing and sales director. Parrot is now trying to build up production and sales.

Before his sacking, and subsequent return to the US, Mr Peters gave a long interview to Harlech (Welsh) Television, in which he explained the pattern of events as he saw them and insisted he was being made a scapegoat for the incompetence of others.

Specifically at issue is the ECSC soft loan of £2.5m, which was secured by the London branch of the US-based Northern Trust Investment Bank but, crucially, in exchange for a cash deposit of £2.5m from Parrot. This was arranged by Mr Peters, and at least some of the institutional shareholders claim that details of the arrangement were kept hidden from their board representatives.

They allege that the management accounts made available to the board suggested that the £2.5m was available for operational purposes; that it was never made clear that the cash was locked up in Northern Trust for eight years as collateral for the ECSC loan, which can only be used towards buying plant and machinery, not for trading, and that the true position emerged only when the company ran out of cash around the time of the official opening.

Mr Peters, however, has maintained that he did nothing wrong in terms of normal business practice, that the loan could be drawn on as the company built up assets and that institutional shareholders should have known better than any American the terms of an ECSC loan. As a start-up company, Parrot had no assets to use as collateral against the ECSC loan other than cash.

Now in America, Mr Peters has threatened to sue Mr David Waterstone, the WDA's managing director, and Harlech Television for defamation arising from subsequent comments following the television interview, and also to sue Parrot for some £2.5m. But writs have not yet been served.

The Welsh Secretary has told the House of Commons of the main conclusions of Mr Baker's inquiry. He had found that the WDA's handling and monitoring of its investment was "deficient" in some respects. However, its commitment of public funds had been within the provisions of the WDA act and its investment guidelines, he said.

On the arrangement with Northern Trust Mr Baker had found the transaction "most unusual from a commercial viewpoint but it could not have reasonably been anticipated by the agency." Mr Edwards said he had no reason to dispute that finding.

The Welsh Secretary refused to publish the Baker report. Police investigations were continuing and the report contained commercially confidential material, he told MPs

The WDA will in future employ outside consultants in appropriate investment cases and will want to know how loans are secured. But it is already clear that the damage to the WDA's investment role extends further.

Attracting venture capital for projects outside the prosperous south-east of England is never easy. Wales, unlike Scotland, does not have its own financial community, and Mr Edwards himself has complained bitterly of the City of London's ignorance and indifference in meeting the financial needs of Britain's traditional industrial regions.

Because of the Parrot experience the WDA is adopting more caution. Future direct investment is to be rationed to a maximum of £500,000 per project

WORLD CHEMICAL INDUSTRY

West German drugs group recovers its own name. **John Wicks** reports

Rebirth for Bayer in US market

BAYER, the West German chemicals and pharmaceuticals group, has regained its name in America after 65 years. Sterling Drug, had bought rights to the Bayer trademark as enemy-alien property in the wake of World War 1. Last week it sold them back again for \$25m—retaining only the Bayer Cross symbol and use of the name for its aspirins.

Recovery of the brand is seen in Leverkusen, near Cologne, where Bayer has its world headquarters, as an "important step towards documenting Bayer's presence on the world's biggest domestic market." The US had remained the big exception when the company regained its worldwide trade-mark rights in 1970, so its current position among the top six or seven American producers has been anything but obvious.

One of the first consequences will be the renaming of the US holding company Rhinechem Corporation, soon to become Bayer USA Inc. This has more than just semantic significance, since it will be accompanied by an upgrading of the company from a Delaware "address" to an active management parent with a physical presence in Pittsburgh.

According to Dr Konrad Weis, who as head of both Rhinechem and its biggest single subsidiary — the Pittsburgh-based Mobay Chemical—reports to Bayer on overall US business, the move is intended to "cut costs and optimise corporate infra-structure." While operating responsibility will remain with the individual operating companies, the revamped Rhinechem will be given a "neutral" management staff of anything between 40 and 100 to provide a wide range of central services.

In order to play its intended steering and co-ordinating role, the new Bayer USA will take over the American Agfa-Gevaert company and Compugraphic, the typesetting equipment specialist. Both are currently subsidiaries of Agfa, a Bayer affiliate. Apart from Mobay, Rhinechem — itself owned by Bayer International Finance, of Curaçao—today holds Miles Laboratories and the Memphis-based agro-chemicals concern Helena Chemical.

Since it has been freed for products for industrial processing, the trade-mark will be of most benefit to Mobay as a producer of chemicals, agro-chemicals, plastics, dyes and pigments. However, neither this nor other subsidiaries will assume the Bayer corporate name; indeed, the deal with Sterling Drug specifically rules out use of the name for Miles's pharmaceuticals and consumer goods.

Bayer companies in the USA are expected to show they at least maintained their 1984 net profit level last year. Initial indications are that earnings were considerably better at Mobay, but lower at Miles. Although overall turnover does not seem to have risen much in dollar terms on conversion, US sales accounted for around 25 per cent of Bayer's world total in the first three-quarters of 1985. In November, an interim report from Leverkusen confirmed that "North America had consolidated its position as sales region second only to Western Europe."

Dr Konrad Weis, head of Rhinechem and Mobay which are soon to become Bayer USA, believes that US operations will grow slightly faster than gross national product. Growth will be fastest for products like pharmaceuticals and plastics, he says

Dr Weis believes that US operations will grow slightly faster than gross national product. Growth will be fastest, he says, for products like pharmaceuticals, engineering plastics, polyurethane plastics and special Agfa-Gevaert lines. For most industrial products and agro-chemicals, progress should be about equal to GNP, while textile dyestuffs and dye chemicals are among items which will develop more slowly. Textile dyes is the only product group in the red—though "not substantially." However there is no talk of closing down this operation, not least because it forms part of an internationally profitable division.

Nevertheless, Dr Weis is pleased there is no major bulk product element in American operations. Speaking of Mobay, he attributes last year's good results partly to the fact that "we've got fewer commodities than we thought we had."

He admits that in earlier years the company had tried hard to build up its position in organic and inorganic chemicals—and goes on to add: "Thank God we missed the boat."

Last year Bayer spent around \$150m on US capital investments; heavy spending requirements being one reason for the squeeze on Miles profits. This year the sum is to be substantially higher. However, only a small fraction of this will be in new production capacity—though Mobay does have "concrete plans" for a \$30-50m engineering plastics unit—and the rest will go to environmental and safety projects, process and quality improvements, removing bottlenecks and particularly to research and development. Neither large acquisitions nor large disposals are likely, though on the acquisition side Bayer says it would look favourably on possible small to medium-sized "rounding-off" purchases in about the \$50m price bracket. For Miles, a possibility might be the purchase of a successful diagnostic line.

Research and development activities are extremely important for Miles, which since transferring its Bayvet animal health division to Mobay's agro-chemical division, is wholly devoted to human health care.

Despite its location in the small US town of Elkhart, Indiana, and its production of Alka-Seltzer, a successful American panacea, Miles has always been more internationally minded than its compatriot companies within Bayer USA. When the German group took it over in 1978, one-third of its business was outside the US.

At present, though, the emphasis is on building within the US. By far the most important decision here was that taken last year to spend an initial \$35m on a major research centre at West Haven, the Connecticut headquarters of the pharmaceutical products division. Dr Klaus Risse, Miles's chairman, explains this move with the company's realisation that prescription pharmaceuticals offer great opportunities "for us to become bigger than we already are in the US." In due course, he says, the centre — due to open next year — could expand its staff ten-fold to some 1,200.

As well as housing facilities for pre-clinical pharmacology and arthritis/rheumatism research, it will incorporate the existing Molecular Diagnostics and Molecular Therapeutics affiliates which, like research teams in Elkhart and at the Cutter division in California, are working on the application of gene technology. Cutter, now strongly specialised in the plasma and blood sector and free of its former intravenous nutrition activities, is now over its problems, says Dr Risse, even though dollar sales seem to have dropped last year.

Among growth sectors that look particularly promising to Miles are those of heart and circulatory disease therapy, new plasma products such as Cutter's genetically engineered Factor VIII fraction for haemophiliacs, industrial enzymes (including biotechnologically - produced cheese rennet) and the rapidly-expanding programme of Ames self-diagnosis / self-medication systems.

Even Alka-Seltzer is not standing still. Late last year, a flavoured version hit the American market, with added lemon and lime as a "better-tasting way to help you feel better."

ASIAN FINANCE

Foreign funds flourish in Japan

FOREIGN TRUST funds, investing in equities and bonds abroad, are being increasingly snapped up by Japanese investors, who have become sensitive to rates of return and are beginning to spurn the generally poor performance of domestic funds.

The total net value of foreign investment trusts reached Y557bn ($2.7bn) at the end of November last year, up 65 per cent from their level at the end of December 1984. November sales alone moved up Y33bn from the previous month.

The high return provided by foreign trust funds has whetted the appetite of many individual investors, despite the yen's steep appreciation against the dollar and a Ministry of Finance (MoF) warning to sellers of securities to make prospective buyers fully aware of foreign exchange risks.

The size of the foreign trust funds was, none the less, easily outdistanced by the overall net asset value of domestic investment trusts which topped the Y20,000bn mark for the first time this month.

The marked gain in popularity of foreign funds has embarrassed Japanese investment trust management companies, which performed modestly last year. The 92 domestic, open-ended investment trusts, which are run by 11 Japanese investment trust companies, subsidiaries in turn of the major securities houses, achieved an average rate of return only 2 to 3 per cent—a sharp contrast with the foreign trust funds currently marketed in *Japan* which provided yields in the 20 to 30 per cent range.

Yoko Shibata examines a challenge to domestic investment trusts

Only six out of the 92 funds beat the rise of the Nikkei average index, which is a broad measure of the Japanese market. Furthermore, the performance of 35 of the domestic funds was well below the Nikkei index, reflecting the lacklustre performance of high-technology stocks, in which the domestic trust funds are still heavily invested.

In contrast to the nation's new role as the world's largest capital exporter, most Japanese fund managers are still conservative in diversifying their portfolios into high-yielding overseas equities. Overseas investment trust assets accounted for only 7 per cent of the total net value of trust fund assets at the end of 1985, and of these 95 per cent is invested in the US.

Last November the scope of overseas markets permitted for investment by Japanese funds was extended from 11 markets in nine countries to 30 markets in 22 countries including Hong Kong, Singapore, Italy and Spain. This came about with a relaxation of the self-imposed guidelines for fund managers. However, the industry continues to submit to MoF guidelines that the maximum monthly net increase for a single foreign trust fund should be $39m.

A chronic shortage of experienced fund managers is one explanation offered for the underperformance of Japanese investment trusts. The controversial practice by the parent brokerage houses of dumping poorly performing stocks on their subsidary funds is another reason for some trust funds weak showing.

In attempting to respond to private investors' increasing emphasis on the rate of return on their investments, the big Japanese brokerage houses have embarked on full-fledged sales campaigns for their foreign trust funds, although these vie directly with the domestic trust funds managed by their investment trust subsidiaries.

A total of 39 such funds are being marketed at present.

As of the end of November 1985, Nomura was the largest seller of foreign investment trust funds with net asset value totalling Y167bn, followed by Daiwa Securities with Y104bn, Nikko Y64bn

The MoF is taking a *laisser-faire* stance towards the current sales boom in foreign investment trusts for the time being. It feels that in view of the limited scale of the market, there is little serious risk of an excessive outflow of capital.

Apartment venture finds room to expand

BY CHRIS SHERWELL, SOUTH-EAST ASIA CORRESPONDENT

AMID THE pessimism generated by Singapore's contracting economy, it is surprising to find people who are not only pleased with business but pressing ahead with expansion abroad.

Yet that is what the Jumabhoy family is doing—and the bigger surprise, given Singapore's glut of hotel rooms and residential property, is that their line of business is the ownership and management of executive apartments.

Occupancy rate exceeds 90%

According to bankers, Singapore had at least 10,500 private residential properties lying vacant at the end of 1985, and another 9,000 newly built hotel rooms. Estate agents say the total supply of hotel rooms this year will reach 26,400, up 10,000 on 1984.

In the midst of this flood floats the Ascott, a 27-storey, centrally located complex of 177 "executive residences" atop five floors of shops, and the Jumabhoy family, now into its fourth generation in Singapore. After just 18 months operating the Ascott at above 90 per cent occupancy, the Jumbabhoy now plan to extend the idea to Britain, Hong Kong and elsewhere.

It is not a typical rags-to-riches story. "My father was always well off," says Mr A. R. Jumabhoy of the man who arrived in the island state from Kutch in India in 1912, aged 14.

Mr Jumabhoy's father possessed several generations' expertise in trading commodities between East Africa, the Middle East and India. In Singapore, he developed this into a business trading tea, coffee, coconut oil, dates and cotton goods.

He also believed in exclusiveness, and when the family bought a house on the corner of Orchard Road and Scotts Road, it was because this was a privileged location, even in those days. Now it is one of the most prestigious addresses in Singapore's main commercial and retail area.

The question of what to do with the property became important by the 1970s. The trading business was doing satisfactorily, and the family had moved into shipping decades before. A new step was needed, but in which direction?

For Mr Jumabhoy and his son Rafiq, just back from studies in Britain, the first thought was to sell the prime site to property developers and get a good price. That seemed to offer little challenge, so the second thought was to develop the property independently and build a cinema and office block.

Losses have yet to disappear

This eventually gave way to a plan for a 450-room hoel, an idea which was becoming highly fashionable. Scotts Holdings was set up in 1979, and work on the site began. But then the Jumabhoys recognised a need they had themselves experienced in London when Rafiq was studying—for a place to stay in Singapore which was more homely than a hotel and more managable than rented accommodation.

The market in Singapore was obvious—executives with multinational companies on lengthy trips to Singapore, professionals on one- to three-month stints, and others looking for a base from which to search for more permanent accommodation.

Despite the nosedive in the Singapore economy—especially the hotel sector, where occupancy rates have dipped below 60 per cent—and despite competition from other serviced apartments, the Ascott has succeeded because of its location, its style and "the help of our friends," says Rafiq Jumbabhoy. One US multinational has taken 10 apartments for two years each.

None of this has come cheaply. Scotts Holdings has borrowings of S$50m on paid-up capital of S$137.8m, and will report a further year of losses in 1985 to take the cumulative figure to S$11m. The building is in the books at S$122m. The idea, however, is to "show the worst picture up front," says Rafiq Jumabhoy, and start showing a profit from this year.

The next priority is London. With a UK partner they had hoped to pick up a large Park Lane property before Bruneian interests beat them to *it*. Now they are casting round elsewhere.

Two alternative partners are said to be lined up for a similar venture in Hong Kong, and this could get off the ground more quickly.

THE ARTS

Television/Christopher Dunkley

Bad art, good bad art and the merely mediocre

It was, as I remember it, an article in the New Statesman written during the sixties by Francis Hope (killed in the Paris air crash and much missed) which alerted me to the distinction between bad art and good bad art. Hope was writing about books and making the point — though the following examples are not his but mine since I cannot find the cutting — that while, say, Hank Janson's *Cutie On Call* is merely a bad, albeit popular book *The Prisoner of Zenda* is a good bad book.

The idea is particularly useful in television because of the appalling power of the ratings. Soap opera, for instance, tends to be defended by television die-hards simply on the grounds that it is popular, when a far more important and interesting defence can be made within the genre by distinguishing between bad art (*Crossroads*) and good bad art (*Coronation Street*).

The reason for raising the point now is that binary fission has occurred in Los Angeles and *Dynasty* has split to produce *Dynasty II: The Colbys*. The new series enables the authors to keep all the old crowd—silver haired patriarch Blake Carrington, big-breasted Krystle, matinée idol Jeff, sexy old Alexis and so on—and at the same time introduce an entirely new crowd—silver haired patriarch Jason Colby, big-breasted Sable Colby, sexy Constance Colby (played with bags of smouldering passion by, believe it or not, 79-year-old Barbara Stanwyck), matinée idol Miles Colby, and so on.

Now, *Dallas* and *Dynasty* have always appeared to me to be not just bad art, but bad bad art. Yet while in the US their ratings keep sinking, in Britain they attract not only a mass following among the undemanding millions who voluntarily watch *Wogan* and *The Price is Right*, but a fashionable following among people whose tastes you might otherwise respect. The attitude among these fashionable followers is that the American glitz series are really not as bad as pointy headed intellectuals like to pretend.

'Soap opera tends to be defended simply because it is popular'

Could it be that they are right? Is *Dynasty* really not the worst sort of bad television but actually good bad television? Was I being supercilious in zapping to another channel whenever it appeared? I decided to give it another chance and watched both the opening "special" of *Dynasty II: The Colbys* and the first of the regular episodes on Wednesday. Sure enough it is meretricious garbage without a single redeeming feature.

Nowhere in the writing, the acting, or the direction is there a hint that anybody connected with the series has any ambition for it other than that it should make a lot of money by amassing big ratings. It displays no insight, no humanity, no genuine passion, no compassion, no considered convictions—social, moral or political—and, outside the costume and make-up departments, a bare minimum of professional expertise.

As with *Dallas* and *Dynasty*, it gives the impression that those who produce it have never met any real people but have taken all their ideas from pulp novels, old movies and, above all, previous television series. The plot is ludicrous, the characterisations laughable, and the dialogue woefully bogus. It is in all, beyond contempt; not worth consideration — which is why you will find no more reviews of it here.

In British drama, paranoia is all the rage. Thanks to the lead time now necessary to bring drama to the screen there is, of course, no question of copy-cat tactics in the sudden appearance of several works characterised by a fear of official secrecy, upper class conspiracy, secret police and the Anglo-American military-industrial complex. The fact that *Edge of Darkness*, *Defence of the Realm*, *Dead Head* and *Frankie and Johnnie* have turned up within weeks of one another is, rather, an indication of the healthy way in which television drama can sometimes react to current affairs. My guess is that all four were to some extent inspired by the events surrounding either Sarah Tisdall, Clive Ponting or Cathy Massiter (or all three).

Troy Kennedy Martin's serial *Edge of Darkness*, transmitted twice by the BBC late in 1985, is the best of them, though both the one-shot dramas — *Defence of the Realm* and *Frankie and Johnnie* — are outstanding. They are also extraordinarily similar. *Defence of the Realm* was produced primarily for the cinema, is currently on circuit release, and presumably will not be seen on television for at least a couple of years, whereas *Frankie and Johnnie* was made primarily for television, though it received its première in a cinema, and will be screened by BBC 2 on Sunday.

The central character in each work is a newspaperman with integrity (hitherto virtually unknown in modern drama) and in each the plot begins with some seemingly small incident which, with the reporter in pursuit, leads to ever higher levels of involvement by the state and in the end—as with *Edge of Darkness* — to the perils of nuclear accident.

Rightly enough *Defence of the Realm* has already received high praise from cinema critics. It does have fine qualities, notably its central performance, its photography, and its portrayal of professional relationships. *Frankie and Johnnie*, however, is its equal in all these respects and can claim in addition a close attention to those small social details—the reporter's separation, the consequent ubiquity of the bored schoolboy son, the awful jealousies within a civil servant's family — which the best of today's British television drama tends to do better than even the best of today's British cinema.

Dead Head, written by Howard Brenton and now running on BBC2, shares some of the virtues of the other productions.

'The trouble with "Dead Head" is poor Howard Brenton's misanthropy'

It, too, benefits from good acting, and from camerawork which is marked by pleasingly mannered lighting. The sexy bits are quite fun too: in last week's typical male fantasy Brenton required his central character, Eddie, to be shackled to a bed while a nymphomaniac Sloane Ranger dressed only in an open Burberry and wellies had her wicked way with him. It was neither very original nor very extensive, but unlike most of the sex on television that we hear so much about, it really was there on screen and not merely in the fervid imagination of the prohibitionist prudes.

That said, the trouble with *Dead Head* is poor Howard Brenton's misanthropy. On the one hand he seems to feel that he must lash out at the establishment which provides him with such a comfortable living, and on the other hand he apparently finds the working class deeply unappealing too. His working class hero is portrayed as a whining little oik, the police are shown as pampered pansy monsters, and the home counties are full of rich perverts baying about their idleness.

Defence of the Realm and *Frankie and Johnnie* are both notable for authenticity of detail: in each case you could easily believe that the authors had spent a research period in a newspaper office. *Pravda*, the stage play about Fleet Street which Brenton co-wrote with David Hare, gives the contrary impression: even the newspaper terminology is comprehensively wrong. And just as *Dynasty* seems to have been written not after a study of life but after a close scrutiny of other television series, so *Dead Head* feels as though it was written by somebody who, rather than standing in a home counties pub observing the realities, has been watching lots of left wing student skits satirising the experience of standing in home counties pubs observing the realities.

Certainly not good art, not bad art, nor yet good bad art... just mediocre really.

Denis Lawson in "Dead Head"

Timothy Hugh/Purcell Room

Max Loppert

A new piece for solo cello by Nigel Osborne had been promised for Monday evening's recital by Timothy Hugh. In the event, it failed to materialise; but even without the added attraction of such a novelty, there was a great deal of interest and pleasure to be had from the concert.

The young English cellist, currently also a member of the chamber group Domus, is plainly a remarkable player. Word of his gifts—of his uncommonly mature musicianship, of his ability to translate lively interpretative ideas into finished performance—had got about before this latest appearance. It proved accurate: there are many young cellists willing to display "their" Bach Suites to the public, but few indeed capable of arguing their personal commitment to the music so persuasively.

The two suites played, the C minor (BWV1011) and the D major (BWV1012), were both marked by full-toned muscular attack and an energetically surging rhythmic tread. One was never allowed to forget—a strong point in Mr Hugh's favour—that dance rhythms provide the basis for Bach's mighty structures; in the faster movements, a sense of physical invigoration came directly off the flow of phrases. Perhaps one could ask for a still greater degree of relaxation, of reflective lyricism, in the passages of repose (the D major Sarabande may not have been "fast" in actual clock time, but it felt just a trifle hasty). Altogether, though, the authority of these readings was exhilarating.

No less so the proud command over the Kodaly solo sonata, which was placed between the two Bach works. It is a long work and it can seem long; Kodaly's concern to exploit every aspect of cello technique leads him to indulge in the Hungarian equivalent ot musical blarney. I cannot recall another live performance which moved so unhaltingly.

The technical grasp was unfaltering but, particularly in the finale, it was not just as a master of complicated multiple stoppings and scale passages that Mr Hugh made his success so evident: the drama unfolded in big, bold stages.

Gregory's Girl/Oldham Coliseum

Charlotte Keatley

Oldham Coliseum exudes an enthusiastic bravado under the one-year-old directorship of John Retallack. Oldham does not have Manchester's built-in student population and the theatre, eager to attract young people is selling itself through glossy leaflets while Eurhythmics' latest album plays in the bars and foyers.

It is not surprising then to find a stage adaptation of Bill Forsyth's film *Gregory's Girl* (until February 8). So far John Retallack and company have not made the mistake of presenting their outdated notions of youth culture. In 1985 they established a house style of boisterous inventiveness which energised *Bouncers* and *Tartuffe* this year we are promised an adaptation of *Don Quixote*, *Cloud Nine*, *The Kiss of the Spider Woman* and a new Howard Goodall musical. I hope such eclectisim does not result in a dissipation of Oldham's decisive and thought-provoking style of production.

Ian Forrest directs *Gregory's Girl*. I enthused about his direction of Lancaster Theatre's *Play of Jennet* for its multi-media theatricality. This production is a disappointment for its feeble naturalism. Bill Forsyth and David Puttnam produced a film which observed and distilled the excruciating emotional turbulence and physical awkwardness of adolescence with gentle humour. Whereas film focuses attention on a glance or the tiniest hand gesture, Ian Forrest's child cast varies between two options: some play for comedy, and are exaggerated in gesture; others are genuinely gauche. On a wide stage this presents us with awkward teenagers, not teenage awkwardness.

John Kilvinger's gangling Gregory and Emma Clarke's bouncy Dorothy are sincere but look choreographed rather than spontaneous and inspired — as do the football practice sessions. Joanne Arden's Madeline and Matthew Roberts's Richard stood out for their convincing partnership as 10-year-olds in a serious courtship. Craig Morris's Steve, the sensitive pastry maker, and David Lees's Eric, the photographer, conveyed the same deadly earnest — no coy performances but the beautifully observed gestures of boys playing at adults.

Two areas of carelessness were disappointing: Marisa Rossi's set of cut-out skyline, real football goals and trees but stylised school walls and clock expresses the production's faltering path between realistic playground life and Gregory's internal fantasy world; secondly, whereas the film meticulously implants role swapping—strong girls and soft boys—and ends with the message that sex and dating is not as important as finding what is right for oneself, Mr Forrest has a cheering gang of girls carry off Gregory shoulder high as Dorothy looks on, half wistful, thus suggesting quite the opposite.

The Oven Glove Murders/Bush

Michael Coveney

Nick Darke's *The Oven Glove Murders* at the Bush Theatre is an incestuous satirical comedy about the revived British film industry. A kiss of death, in fact. It cannot make up its mind whether to be fastidiously accurate or downright zany and ends up being neither, the show *blowing up in a most alarming* fashion symbolised by a First *Night disaster of some magni*tude (in tiny Bush terms), a badly muffed speech.

That speech was something to do with a chance encounter with Burt Reynolds at an occasion of triumph, the Oscar ceremony where the hot new director Garstang Galt (Mark Wing-Davey) has cleaned up with "Butterfly Breed" in competition with Scorsese and Speilberg. The film is a schmaltzy romance, *all* that remains of an EMI commission *to provide a comedy "with* balls" about Greenham Common.

The setting, beautifully designed by Geoff Rose, is the Soho office of Absolutsky Films where Winston Absolute (Tim Roth) and his wife Sandra Sky (Suzanna Hamilton) are receiving a highly thought of (in his own field) Yorkshire playwright who has had work done at the Barbican and wears a dispiriting greatcoat. Surely this theatre cannot be taking the rise out of Robert Holman, one of its favoured writers? *There ensue lots of glib cracks* about how nobody ever re##s scripts properly (a complaint rather too apropos, in the circumstances), much enjoyed by all the directors and agents in the audience. Recognising themselves, no doubt.

Winston and Sandra are, however, unrecognisable as producers. They simply do not convince for a single moment and are therefore unfunny. *Winston is a former child actor* who thinks that entrepreneurial brashness and nationalist ideals will take him to the top. Which *of course*, for a while, they do. He insults his wife, shouts at colleagues and throws shoes out the window. The shoes belong to Garstang, who wants to know how he can put the British film industry back on its feet without them.

Garstang has learned the wisdom of not listening to writers on his Pot Noodle commercial and wears his shoes to please his mother. These are funny moments, and Mr Wing-Davey's blurred analysis of the script's potential is, if you press me to be generous, chuckle*worthy. Philip Jackson, too,* as the forlorn writer Joel Breaks, is capable of transforming dross in his lugubrious undercutting comic style, beaming with pleasure when Sam Goldwyn pays him US$500,000 *not* to write the screen play for his cherished project; we later hear ludicrous voice-overs and the portentous soundtrack of "The Oven Mitt Homicide," an Arizona domestic shake-up between *Hackman and Streep.*

Mike Bradwell's production cannot do much for the unlikely death of Winston, nor for Sandra's apotheosis as head of United Women Artists, nor for some wretched down-spiralling dialogue between Garstang and Joel which sounds as though it had been made up in the interval. Not even bad enough to be a hit, I would say.

Alastair Muir

Suzanna Hamilton, Mark Wing-Davey, Tim Roth and Philip Jackson

The Nutcracker/Rome

Freda Pitt

When Maya Plisetskaya was engaged two years ago to take charge of the Rome Opera Ballet and the artistic adviser voiced an ambition to increase the theatre's dance activity until it equalled the production of opera, it seemed things were taking a turn for *the better.* However, during her brief tenure Plisetskaya spent more time in Moscow than in Rome, where little but her own larger-than-life performances proved worthy of interest. Last summer a series of disagreements led to her departure; the artistic adviser also resigned, and the theatre is now without an artistic director.

The opera season opened in November with a praiseworthy production of a little-known Cherubini opera, Monserrat Caballé heading the cast. The ballet company had not put one foot in front of the other since a *lack* lustre *Don Quixote* revival at the Baths of Caracalla *in the summer.* It is hardly surprising, therefore, that the dancers looked in poor shape when they made their first bow of the new season on January 10, three days after the date announced because of a strike to protest against their limited opportunities. The cast changed as a result of the delay, so that Raffaele Paganini (no longer *with London Festival Ballet)* lost his single performance — not that even a far superior dancer could have saved the evening.

Miroslav Kura, from Prague, is best known for the unconventional *Romeo and Juliet* production that his company brought to Reggio Emilia and Modena some years ago. His *Nutcracker* is thoroughly traditional in conception, being purportedly based on Ivanov's original—though we all know most of that is lost, and anyone who has seen the painstaking reconstruction of Ivanov's *Dance of the Snowflakes*, for instance, in Peter Wright's Covent Garden production may question Kura's claim.

In a better rehearsed, less lifeless and graceless performance, the version might well *seem more convincing, even* if the odd merging of Masha with the Sugar Plum Fairy could not seem other than disconcerting. Other productions that give Masha (or Clara, as she is usually called in the West) all the second-act fireworks with greater consistency assign the role to a single dancer.

In this production the rather well-developed adolescent who impersonates Masha *as a little* girl simply disappears at the *opening of the Snowflakes* scene to be replaced by a principal dancer in white tutu and crown who is still meant to be Masha, as is clear from the Prince's gestures of introduction. Very confusing, particularly as the story as related in the programme-book bears only occasional resemblance to the version seen on the stage. *Drosselmeyer looked more like* an upper servant than a man of mystery, the children from the school looked glum and charmless, no character was drawn in the round.

Choreographically, the most interesting sections came in Act 2. The pretty Russian dance *was set for four groups of* three dancers, with white ribbons, giving the impression of sledges, while the *pas de trois* for three boys with long sticks called *Pulcinella* was also interestingly different.

Swan Lake is the only other ballet announced for this season. *Given the present form* of the resident company, one can only pray for guest artists.

Saleroom/Antony Thorncroft

China porcelain surfaces

Christie's is to sell in Amsterdam from April 28 to May 2 the most comprehensive group of Chinese export porcelain to have arrived in *Europe* since the 18th century. Approaching 150,000 *items will be on offer,* all recently discovered on the sea bed near the south China coast by Captain Michael Hatcher.

In 1983 Hatcher set the Chinese market for works of art *alight* by finding vast quantities of 17th century late Ming blue and white porcelain in another wreck. But this latest find is much more extensive. The porcelain, which had been packed in tea, has survived well its two centuries and more under the sea and has a good glaze. Among the items are 50,000 tea bowls, plates, butter dishes, tureens and chamber pots.

To dispose of such a vast quantity, in 3,000 lots, Christie's is appealing to private collectors as *well* as to the trade. Chinese export porcelain is popular with Americans, and prices at auction tend to reflect the strength of the dollar against European currencies. Estimates will be low, and the lots will be arranged to give buyers, from the small private *collector to the biggest dealer,* the chance to acquire what they want in their price range. If it is successful the sale will revolutionise the market for Chinese export porcelain.

Hatcher also found in the *wreck* 124 bars of 18th century Chinese gold, previously unrecorded, which will be auctioned. Estimates are around the current price of gold.

New directors of programmes for Thames TV

The new director of programmes for Thames Television is to be David Elstein, former editor of the Thames current affairs series *This Week* and, since the opening of Channel 4, one of Britain's most influential independent producers.

Thames, the largest programme maker in the ITV system, lost its previous director of programmes, Muir Sutherland, as a consequence of the *Dallas* debâcle in which former managing director Bryan Cowgill "poached" the American series from the BBC. Cowgill was succeeded by Richard Dunn and the new regime is completed by Elstein's appointment. Aged 41 he has been a BBC producer (*The Money Programme*, *Cause for Concern*) and as an independent has created such series as *Master Bridge* and *A Week in Politics*.

C.D.

Sir Claus Moser honoured

Sir Claus Moser, chairman of the Royal Opera House, Covent Garden, has been awarded the Commander's Cross of the Order of Merit of the Federal Republic of Germany for his services to *music.*

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. *A selective guide to all the Arts appears each Friday.*

Jan 24–30

Theatre

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

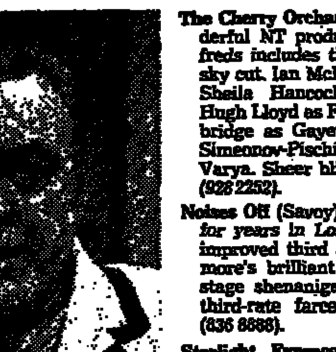
WASHINGTON

In Regard of Flight (Kreeger): Bill Irwin's theatrical spoof shows off the mime's talent in confronting a man-eating stage curtain and a disappearing shoe on the quest of a new theatrical genre. Ends Jan 12. Arena Stage (488 3300).

Restoration (Arena): Edward Bond's combination of contemporary politics and 18th-century high jinx with music by Nick Bicat is directed by Sharon Ott of the Berkeley Rep. (488 3300).

LONDON

The Scarlet Pimpernel (Her Majesty's): Donald Sinden in resplendent plummy-voiced form as Baroness Orczy's one-man resistance movement to the French Revolution. Opera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (930 4025).



Donald Sinden in The Scarlet Pimpernell at Her Majesty's Theatre.

As You Like It (Barbican): Much improved since last year's Stratford-upon-Avon season, Adrian Noble's loosely Edwardian production now emerges as a secret-garden adventure where Rosalind (Juliet Stevenson) has the sisterly devotion of Celia (Fiona Shaw) threatened by Orlando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbican repertoire also includes a fine Othello with Ben Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of Les Liaisons Dangereuses (628 8795).

The Cherry Orchard (Cottesloe): Wonderful NT production by Mike Alfreds includes the scene Stanislavsky cut. Ian McKellen as Lophakin, Sheila Hancock as Ranevskaya, Hugh Lloyd as Firs, Edward Petherbridge as Gayev, Roy Kinnear as Simeonov-Pischik, Eleanor Bron as Varya. Sheer bliss and very funny. (928 2252).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady, Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey, Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 6834)

Camille (Comedy): Pam Gems's rewrite gives Marguerite Gautier a child for whose future security she exchanges her own frail health and love. Don Daniels's studio RSC production does not transfer that well, but Frances Barber is an actress to watch. More coughing on stage than in the stalls, for a change. (930 2578).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Wednesday January 29 1986

IDA's thrifty sponsors

THE CONSTRAINTS on the funding of the International Development Association, the arm of the World Bank which provides very soft loans to the world's poorest countries, have changed from the ideological to the budgetary. In the last fund-raising drive the key problem was the ingrained scepticism of the Reagan Administration towards multilateral aid. This time round the biggest threat is Gramm-Rudman—the arbitrary process by which Congress will cut its spending down to size if it fails to reduce the US budget deficit in rational fashion.

This week's meeting of the IDA deputies in Paris has confirmed that argument over IDA funding should be less bitter and emotive than in the previous round (IDA 7). Mr James Baker, the US Secretary of the Treasury, takes a different view of the Bretton Woods agencies from that of his predecessor—as shown by the role of the World Bank in his Baker Plan. The plight of sub-Saharan Africa has penetrated America's political consciousness. The relationship between the US and India—an important recipient of IDA money—has improved as well. Sensing a friendlier climate, the World Bank has been less aggressive and aggrieved in making its demands for the three years that start in the summer of 1987.

Liberalism

The risk now is that this less emotive atmosphere will calmly produce a rather stingy replenishment, hedged about with new and counterproductive terms and conditions. The very minimum that IDA needs over the three-year period is $12bn. This would in real terms be the equivalent of the $9bn that was raised in IDA 7 taken together with the $1.5bn that was eventually raised for the special fund for Africa. It will be substantially less than the $12bn of IDA 6.

IDA deserves support because it is uniquely able to combine aid with the economic direction that poor countries need if they are not to squander resources invested in them. This combination is particularly appropriate to 24 nations in Africa which, through a blend of drought and economic mismanagement, have seen their joint grain production fall by an average of 2 per cent per annum since 1970. Meanwhile, developing giants like India and China, which have themselves espoused a degree of economic liberalism, have an immense and justifiable call on IDA funds for project lending.

The US is pressing for a number of changes in the terms and conditions of IDA finance in an apparent attempt to make IDA funds seem more like loans and less like aid. It wants shorter maturities—down from 50 to 40 years. It wants to raise the currently minimal interest charges. Finally, it wants to commit part of the next IDA replenishment to lending that is co-ordinated between IDA and the IMF.

In our view, if IDA is to be made less aid-like, it should be pushed in the direction of equity finance rather than loans. This means payment and repayment by results, when the results come, rather than interest payments levied on bankrupt countries that have to be lent them to pay them. It means a greater focus on "graduation"—the moment when a country's GNP per capita moves it out of the realm of IDA and into that of the World Bank proper. This graduation should involve not only tougher terms on new loans but also progressive repayment of IDA loans still outstanding.

As for the linkage between IDA and IMF, it should not blur the distinction between the two agencies or bind them together too inflexibly. Certainly the two agencies should work together where appropriate, exchanging information and co-ordinating their advice, but IDA should not feel obliged to match IMF trust fund loans with long-term loans of its own. If IDA is to satisfy the demands of four continents out of what promises to be an unimpressive eighth round of finance, it will need to keep its options as open as possible.

The wrong way to help ratepayers

A BATTERY of local government bills since 1979 has tried and failed to take the political sting out of Britain's rates problem. The Prime Minister's commitment of more than a decade to abolish domestic rates remains unfulfilled in spite of an almost continuous flow of inquiries, reports, special Cabinet committees, Green and White Papers.

The latest offering is another Green Paper, Paying for Local Government, presented to parliament yesterday by Mr Kenneth Baker, Environment Secretary, many of whose Cabinet colleagues are happily confident that none of its proposals will ever be enacted in England and Wales.

Key proposals

The key proposals involve freezing the domestic rate bills in 1990 and allowing them to "wither on the vine" until they all but disappear in most places by around 2000. As they shrivel councils will be free to make up the lost income by levying an increasing level of poll tax, called community charge, on everyone over 18.

At the same time, the non-domestic rate would be abolished and replaced by a uniform, national non-domestic rate levied on all commercial and industrial property, all of which will be revalued before 1990.

Just as rate bills vary widely now, poll taxes would also vary. The Green Paper, whose elegant prose helps to disguise the fact that hunches and hopes play a greater role than researched and documented evidence, suggests that the average poll tax might be £50 a head in 1990 rising to £250 a head by 2000.

Many, but not all, of the Government's problems over rates are of its own making. The mess it has made of the grant system in recent years has not only had an unpredictable and arbitrary effect on rate bills but it has also destroyed the already thin link between rate demands and local expenditure decisions.

However, the rates system was already overburdened with too heavy a financial responsibility falling on too few shoulders because of the combination of a narrow tax base and an extensive system of rebates. This has all been worsened by the antics of a small but highly visible minority of left-wing councillors who have disregarded the interests of ratepayers in the execution of their policies.

So the Government's aims of a fairer, more widely based and more accountable system of local finance are laudable. But the latest ideas are not well directed towards these goals. The answer is not to sweep away a solidly based tax which yields a large and predictable income, is cheap and easy to collect and difficult to evade. Better surely to reform the tax and supplement it with an extra source of income which can be shown to be as good or better. An updated system of valuations, preferably based on capital values, would restore some sense to the system—although the protests arising from the last Scottish revaluation suggest that it would need to be done in phases; the matter has been carelessly left untended for 13 years in England and Wales.

Secondly, the complex grant system needs to be overhauled and treated as a technical, rather than political, tool. The Green Paper has much sensible to say on this subject. It is to be hoped that improvements to stabilise the system are implemented as soon as possible.

Thirdly, if the rate burden is too great it needs to be eased either by reducing it—financing, but not administering, education from central government, for example—or by introducing a supplementary tax which improves the system. A local income tax, after a once-for-all difficulty with the compilation of a computerised taxation list, would be a fair, progressive source of local revenue which did not tax those without an income.

Regressive taxes

Yesterday's Green Paper presents the electorate with two local taxes where it now has one, both regressive except for the rebate system at the lowest income level; a diminution in local accountability for at least a decade while the frozen rate bill is the primary source of local revenue; a change in the non-domestic system which would help business in, for example, the North-east but cause large jumps in rate bills for commerce and industry in Westminster and the City of London.

The Green Paper estimates that overall there would be 10m gainers and 10m losers. Politicians have learned down the ages that winners count their luck in silence; the thought of the collective "bark" of 10m losers at the ballot box underlines why so many of the Government's supporters think the wrong solution is on offer.

POLITICS AND SOUTH AFRICA'S DEBT

The world waits for Mr Botha

By Anthony Robinson in Johannesburg

WHEN President P. W. Botha stands up in parliament on Friday to announce the Government's legislative programme for the new parliamentary session he faces the difficult, if not impossible, task of trying to satisfy three widely differing constituencies—the white electorate, international bankers and the disenfranchised black majority.

One of his main tasks will be to convince as many people as possible that the Government has a reform programme which will enable it to seize back the political initiative it was widely perceived to have lost after the ill-fated speech in Durban on August 15, when he announced that South Africa had crossed "the Rubicon of apartheid" without fully explaining what was on the other side.

The failure then to spell out a clear programme and timetable for reform precipitated a no-confidence vote by some foreign banks, a collapse of the rand, and two weeks later the partial moratorium of debt repayment.

This time round there has been none of the loose talk about a dramatic "Road to Damascus" conversion which built up false expectations prior to the Durban speech. The closest to that has been the statement by Dr Gerhard de Kock, governor of the reserve bank in a speech to businessmen six weeks ago, echoed by Dr Fritz Leutwiler, the Swiss debt mediator, earlier this month, that the speech would contain sufficient reformist proposals to permit the tacit consent of South Africa's foreign creditor banks to a modest form of debt re-scheduling on more favourable financial terms for the banks than those originally proposed by South Africa before Christmas.

The original South African re-scheduling proposals, which included a four-year repayment standstill until 1990, were presented to the 29 major creditor banks in December and rejected by them. A revised proposal, made in the light of the banks' objections has been given to Dr Leutwiler, who is due to present his own compromise proposals. These will take into account both the revised offer from South Africa and bankers' reactions to Mr Botha's speech.

Martyn Barnes

The word from government sources and those in the academic and business communities close to government thinking is not to expect any dramatic new announcements. Mr Botha is not thought likely to go much beyond existing statements of reformist intentions in areas like black citizenship, black property rights, the abolition of restrictions on black business and the intention to give urban blacks political rights up to a still-to-be-defined "highest level of decision making" as well as at a local and regional level.

Taken together, the list of reform proposals already announced represents, in government eyes, a major step away from classic apartheid—the task of this legislative session will be finally to put these promises into practice.

But what many in the business community and other powerful political and social lobbies fear is that once again the President will stop short of a bold initiative—such as outright abolition of the hated pass laws—and hedge around his major proposals with ambiguous conditional clauses.

The key issues on which clarification will be looked for in President Botha's speech will be in the areas of black political rights, the hints of a new federal or confederal structure—touched upon briefly in his speech to the National Party congress in Port Elizabeth last September—influx control and the pass laws.

Last September, a special committee of the President's Council, the top policy advisory body, recommended the abolition of the laws which force blacks, and blacks alone, to carry at all times the passbooks that entitle around half the 11m or so living in "white South Africa" to reside legally in black townships close to their work in white areas. The committee denounced the existing legislation as discriminatory and humiliating.

The problem for the Government is that abolition of passes and associated influx control measures is bound to increase pressure for removal of other key elements of apartheid legislation like the 1913 Black Land Act, which limits black ownership of land to 14 per cent of the country, the 1950 Population Registration Act, the bedrock of all other racially discriminatory laws, and the Group Areas acts which provide for racially separate housing and other facilities, including educational establishments.

The Government's own reading of the mood of the white electorate, which many whites as well as other racial groups dispute, is that abolition of the pass laws and influx control would lead to a mass immigration into white areas. This would strengthen the white right wing and lead to a possibly violent white backlash.

Instead the Government appears to favour what it calls a policy of "orderly urbanisation," coupled to abolition of racially discriminatory obstacles to black enterprise. This policy is designed to ensure that most black urbanisation takes place in the homelands situated far from the main cities and white conurbations.

The clearest indication of government thinking with regard to the future of the controversial homelands in which 12m blacks live can be seen in the way it is going ahead with plans for the independence of its newest homeland creation Kwandebele, some 25 miles north-east of Pretoria. Its plans include the forcible incorporation of 120,000 mainly Sotho speaking people from the Moutse area into Kwandebele against their will.

This decision, which has already led to violence and at least 20 deaths since the New Year, casts a dark shadow over the credibility of government promises—particularly its promise to end forced removals of blacks from one area to another.

What urban policy specialists fear is that the violence at Moutse could pale into insignificance beside the potential for conflict if the Government fails to make a clear and unambiguous statement to abolish black identity passes.

This, they fear, could open the way for a nationwide anti-pass, civil disobedience campaign as promised by Cosatu, the recently formed black union super-federation, and the banned African National Congress (ANC).

Ironically, the rise in the gold price, the prospect of a good harvest, the 20 per cent recovery of the rand against major currencies over the last six weeks and the prospect of a fragile economic recovery with 3 per cent growth coupled with continuing high inflation—as well as optimistic noises from Dr Leutwiler — may well have helped to persuade President Botha that it is still possible for the government to dictate its own terms and its own pace for apartheid reform.

There are similar signs in the external arena where the Government has reacted to the recent spate of landmine and bomb attacks, and the threats of ANC President Oliver Tambo to step up ANC's military and poltical campaign, by putting pressure on its neighbours, Botswana, Zimbabwe, Swaziland—and last, but not least Lesotho.

In this way, it has demonstrated the will to use its economic and military power to secure its frontiers and its determination to keep the ANC under control in the townships and to defuse the unrealistic expectations of armed liberation prevalent among radical black youth.

This may improve the chances of President Botha feeling secure enough to remove or reduce the state of emergency. But there is no indication that the Government is now disposed to legalise the ANC, release Nelson Mandela and other leaders unconditionally and sit down to talks about power-sharing and a genuine, non-racial government. Yet that remains the bottom line for many who will listen to P. W. Botha on Friday.

WHY THE BANKERS FEAR THE WORST

THE hope among bankers with loans outstanding to South Africa is that President P. W. Botha's speech to the opening of parliament on Friday will provide an opportunity for the rescheduling of some $14bn in foreign debt caught up in a payments standstill since the end of August. The fear is that it will not.

Barely has politics intruded so brusquely into the business of practical banking. By comparison with the South African negotiations, the task of rescheduling Argentina's debts after the Falklands crisis or those of Poland after the military takeover pale into insignificance.

The difference this time is the pervasive influence of public opinion. Banks, particularly those in the US, have come under great pressure from customers and shareholders not to lend to South Africa — last year, for example, US local authorities, including New York City, withdrew deposits from banks with South African connections.

The result is that the fate of South Africa's debt hinges less heavily on what reforms Mr Botha actually proposes in Friday's speech than on public reaction in creditor countries to those reforms. Only if this is positive will the modest debt restructuring now envisaged be feasible.

But bankers are novices at the political game which they also view instinctively with distaste. Few indeed are those who can list exactly the reforms South Africa would need to impose for a rescheduling to become acceptable. Many shrink from the suggestion of Dr Fritz Leutwiler, the Swiss mediator between Pretoria and bank creditors, that any rescheduling agreement contains a political preamble or annexe setting out their basic demands.

Shortly after Mr Botha's speech, Dr Leutwiler, a former Swiss central bank president who is now chairman of the Brown Boveri industrial concern, is expected to circulate debt restructuring proposals to main creditor banks. This will be followed by a meeting of bank creditors in London on February 20. Dr Leutwiler has already said that the new proposals will be much less ambitious financially than those circulated by Pretoria late last year and which were resoundingly rejected by creditor banks.

Quite apart from their political objections, bankers found these proposals unacceptable in financial terms. They called, among other things, for no principal to be repaid before 1990 and for all debt maturities to be shifted forward by five years thereafter. But one result of Pretoria putting them out at all was that it opened for the first time a real debate on what the banks wanted in concrete terms.

This time the proposals are expected to be much more in line with bankers' thinking. Though Dr Leutwiler has revealed little of their content, he has indicated following his visit to South Africa earlier this month that he is looking initially at a short-term package which would give creditors the opportunity of looking again at the country's problems after, say, a couple of years.

The idea also is that the proposal would be presented on a take-it-or-leave-it basis in the form of an agreed minute which both Pretoria and creditors could initial but which did not have the value of a full rescheduling contract.

That might get round the political objections of some lenders to dealing with South Africa, but it could also pose legal and accounting problems in some individual countries as banks came under pressure to make loss provisions against debt which was no longer being serviced under a proper contract.

In any case, the consensus of bankers at present is not very hopeful even for this type of watered-down restructuring. Few regard Dr Leutwiler's hopes of a settlement being in place by the time the present standstill expires at the end of March as anything other than wildly optimistic.

Peter Montagnon in London

Men and Matters

Marshall plays power politics

The management shake-up in the Central Electricity Generating Board which Lord Marshall, chairman, set in motion two years ago has finally worked its way up to main board level with the appointment of two managing directors.

When Fred Bonner, the board's deputy chairman who has held the purse strings for three chairmen over 11 years retires in April, Gil Blackman will move up to the number two position.

Blackman, a quiet engineer who piloted the power system triumphantly during the coal strike, will also have the title of production managing director.

He is being given the job of maintaining secure electricity supplies at minimum cost from the world's second-biggest electricity company. (The CEGB acknowledges that Electricité de France is bigger).

Blackman's partner as corporate managing director responsible for building the power stations, and for business development, is the extrovert John Baker, a former senior civil servant, who joined the board in 1980.

Marshall's management style favours an "inner cabinet" at the top of the corporation. He plans to run the CEGB with primary support from these two aides. But he has also strengthened the board by bringing in another engineer, Frank Ledger, to partner Derek Davies who was appointed last year.

Ledger's job is to manage the newly-created operation division, which covers many things from fuel sources to bulk electricity supply. Davies' role focuses upon corporate planning.

Rumour has it that Marshall still sees a gap at the CEGB executive level. He wants to reintroduce a post abandoned about 15 years ago—a board member for research. That would be a signal the board wants to adopt a higher profile in the science and technology of power generation.

Miller's tale

Ronald Miller has crowned his three-year chairmanship of Dawson International, makers of Pringle Knitwear, with the announcement of a £633m merger with another Scottish textile group, Coats Patons, best known for its Jaeger range.

Miller's third major acquisition in as many years — the other two were West German and US companies — was sealed at a typically frugal lunch at Dawson's Kinross headquarters a few days ago.

Miller, aged 48, joined Dawson as an accountant some 20 years ago after working for BP Chemicals and Foseco Minsep.

After spells as group secretary and finance director his big chance came in 1982 when Brian Haggas, the man tipped to follow Sir Alan Smith as Dawson's chairman, unexpectedly stepped down to concentrate on his family business.

Miller is committed to a policy of decentralised management and he runs a head office of just 16 people. That total includes the tea lady.

The merged company will take on John McAdam, present chief executive of Coats, as deputy chairman, and one other Coats director.

While the two businesses have been careful to present the deal as an agreed merger there is no doubt that Miller and his merry men have come out on top.

Head of steam

Rupert Murdoch, proprietor of The Times has astounded his admirers and his detractors alike in the last week by his audacity. Having developed a new newspaper plant in the Wapping district of London's docklands in conditions of great secrecy he has succeeded in switching production of The Times and his other British papers there overnight—without the cooperation of the main printing unions.

But Murdoch should hesitate before claiming a "first" to add to the long and turbulent history of The Times since 1875. Indeed, it may be that Murdoch got his idea from reading about a remarkable coup engineered by John Walter II, the paper's second proprietor, in 1814.

Determined to be ahead of his competitors, Walter decided to introduce the first steam-driven press into Britain.

The parts were secretly assembled in a well-guarded building at Printing House Square, Blackfriars, during 1812 and 1813. The employees knew the building only as Walter's private printing shop.

The official history of The Times says "The transfer was carried out in complete secrecy for fear of an anti-machinery combination . . . with consequent destruction of the (steam) press."

On the night his steam press was to run for the first time (in November 1814) Walter kept his unruly staff at their posts until 6 am by telling them a bogus story that the paper could not be printed until a special item of news arrived. Meanwhile his steam press was churning out copies at 1,100 an hour.

Just before dawn Walter went into the press room and told his men, "The Times is already printed—by steam."

However, unlike Murdoch, Walter promised that there would be no redundancies and he would continue to pay all employees' wages.

Mr VCR

Changes at the top of Japan's largest corporations are usually planned well in advance, so it came as something of a surprise when Toshihiko Yamashita, 66-year-old president of Matsushita Electric, abruptly announced his retirement.

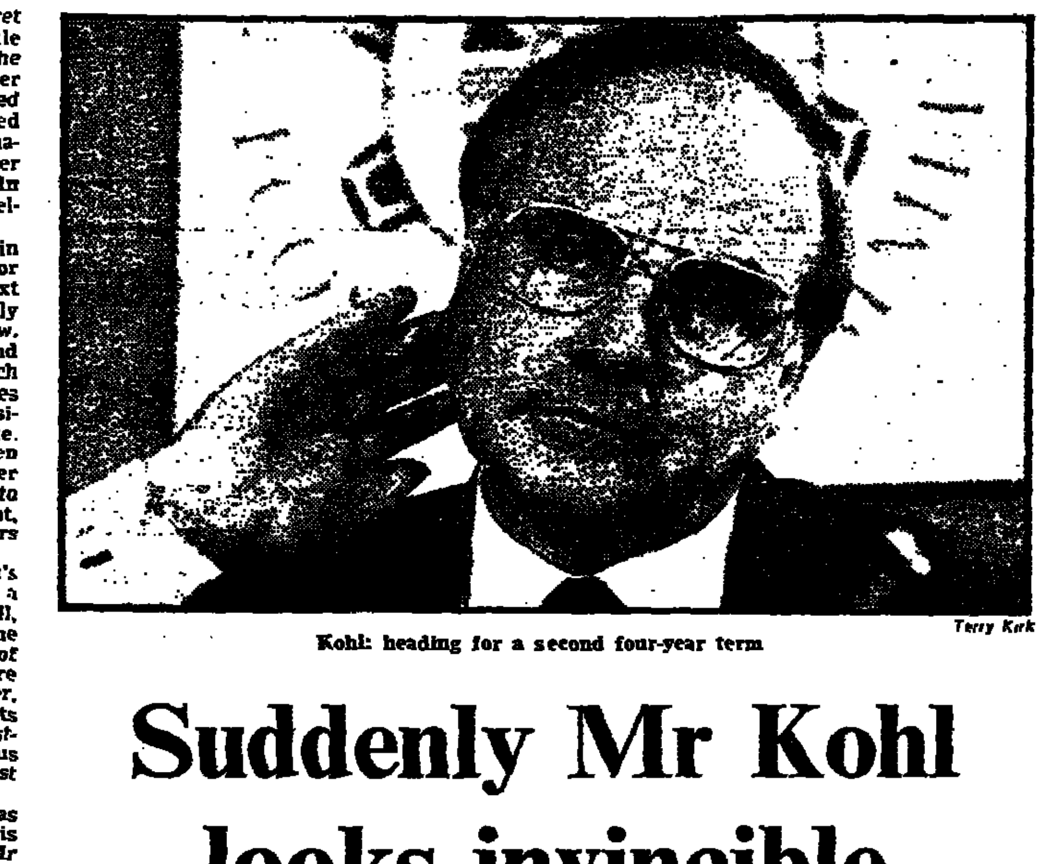
In fact, Yamashita is going only a year earlier than expected. Akio Tanii, 57, had been due to take over as head of the world's largest consumer electronics group sometime in 1987.

Like his mentor Yamashita, Tanii is a graduate of a technical secondary school. Neither man holds a university degree. "Education doesn't make you a good leader," says a Matsishita executive.

Tanii joined the Osaka-based manufacturers of National, Panasonic, Technics and Quasar products in 1956. He spent six years in the company's tape recorder department before moving in 1972 into the field of video-cassettes. His work there earned him the title of Mr VCR, and Matsushita, the number one spot worldwide in the production of VCRs.

Less talkative than Yamashita, Tanii says his business motto is: shopfloor and storefront before everything else. In other words, he aims to stay close to production as well as the market.

Observer



Kohl: heading for a second four-year term

Terry Kirk

Suddenly Mr Kohl looks invincible

By Rupert Cornwell in Bonn

IN BRITAIN Mrs Margaret Thatcher may have her little local difficulties. But if she could boast inflation of under 2 per cent, steady export-led growth and a currency assumed to be on the brink of revaluation, she would fancy her chances at the next election. In West Germany Chancellor Helmut Kohl can—and he does.

The centre right coalition in Bonn has now been in office for over three years. The next federal election is still exactly 12 months away: yet right now, hardly a politician can be found who privately would give much more than a fig for the chances of Mr Johannes Rau, the opposition Social Democrat candidate, winning in January 1987. Even Mr Helmut Schmidt, the former Chancellor, warned him not to run last year. In the event, though, the call to the colours was too strong to resist.

At the time too, Mr Schmidt's advice might have seemed a trifle gloomy. It was, after all, delivered not long after the election last May in the state of North Rhine-Westphalia, where Mr Rau, as Prime Minister, handed the Christian Democrats of Chancellor Kohl their worst-ever defeat in the most populous and industrialised state of West Germany.

Until very lately, Mr Rau was running streets ahead of his rival in popularity polls. Mr Kohl was burdened by a string of scandals which called into doubt his ability to govern — indeed, even today, according to at least one polling institute, his competency rating among the population hovers around 35 per cent, barely half that of Mr Schmidt, even in his troubled later days of 1981 and 1982.

The incumbent Chancellor's press varied between the unenthusiastic and the miserable, and in the wake of North Rhine-Westphalia there was semi-serious talk of replacing him with a more attractive candidate to lead the CDU and its fractious partners, the Bavarian Christian Social Union (CSU) and the liberal Free Democrats (FDP) into the election.

But such speculation was as shortlived as the wretched summer of 1985. Barring calamity, which no one dares predict, Mr Kohl seems fated to begin a second four years in office next January. Even the sharp-tongued news magazine Der Spiegel, no friend of any government in Bonn, has resignedly switched tack to make jaundiced prognostications of the reshuffle that will follow victory.

So what then has changed? A superficial glance might suggest not much. The Chancellor remains the butt of a thousand jokes, and the sniping between CSU and FDP continues to provide fodder for gigantic newspaper headlines, in turn reinforcing the impression of a less-than-decisive hand at the tituler. More subtly, however, a good deal has altered in Mr Kohl's favour.

In the first place, the SPD's choice of a candidate has permitted the Chancellor to be measured no longer against the uncomfortable, still potent, memory of Mr Schmidt, but against the flesh-and-blood reality of Mr Rau.

Second, the cycles and lead times of West German politics are long. The first CDU era lasted 17 years; before Mr Kohl took power in late 1982, the Social Democrats had ruled for 13 years. Tacitly, the SPD seems to acknowledge now that it must wait until 1991, at least, for a real chance of returning to office.

Partly as a result, the party seems oddly leaderless and unsure of its strategy, its ambiguities stretching beyond the field of security and defence. To return to power, the SPD would need to strike a deal with the Greens, for never has it won more than 45.8 per cent of the total vote. Yet this, Mr Raul says, he will not do. For their part, the Greens, too, have lost their way, some believe they will not even win the 5 per cent required to gain seats in the next Bundestag.

The same cannot be said of the Free Democrats, whose presence in Parliament is essential if Mr Kohl is to continue with his present coalition. The FDP now oozes the ebullience and assertiveness of its leader of a year, Mr Martin Bangemann, the Economics Minister.

If the Chancellor has permitted himself to pick an apparently gratuitous fight with the unions over plans to tighten West Germany's strike laws, that is not merely because he senses it is promising terrain. For the FDP, in the forefront of the battle, the issue is heaven-sent, to galvanise its natural professional and small business electorate. But Mr Kohl also knows that even if the union affair goes wrong, it will count little against his real trump card, the economy.

Tomorrow Mr Bangemann is due to present his Ministry's annual report on the state of the economy—and as an election manifesto it could hardly be improved upon. Nor do analysts seriously quarrel with its likely contents.

Every sign is that the campaign in earnest which starts this autumn will be fought against the background of growth likely to continue into 1987 and beyond, an inflation rate down to 1.5 per cent, and tax cuts helping to generate an increase in real private consumption of perhaps 3.5 per cent this year. In other words, the benefits of the rigorous policies of Mr Gerhard Stoltenberg, the Finance Minister will be flowing into voters' pockets at exactly the right moment.

With every month that goes by, it becomes harder for the SPD to mount a credible assault on the Kohl Government's economic strategy. The weak point remains unemployment, which despite an expected slight decline in 1986, will probably still be over 2m at year's end. But the Opposition—thus far at least—has failed to come up with any convincing argument that it could do better.

No wonder, then, that Mr Stoltenberg is the most esteemed politician in the country, as the polls unanimously report. No wonder either, that economic optimists outnumber the pessimists by 3 to 1 today, a reversal of the 2 to 1 supremacy of the latter in 1983, the present Government's first full year in office.

But it is not only in his unshakeable optimism that Mr Kohl, however clumsily and imperfectly, reflects the mood of West Germany in the mid-1980s. He may not offer great excitement, but excitement is not what his country seems to want. Rather, as one political analyst remarked this week, the Chancellor promises "normality."

If the "normality" theory is correct, implicit in it is a certain German patriotism, upon which the Chancellor strikes a chord. A less intimidated stance towards Israel is one example, another was Bitburg.

His insistence that President Reagan go through last May with his visit to the cemetery where former SS soldiers are buried was criticised as a needless embarrassment. In fact, Mr Kohl's stubbornness may have done something to defuse the constant accusation that the Chancellor is merely Mr Reagan's poodle.

Perhaps two personalities best epitomise the more relaxed mood upon which the Chancellor thrives. Barely three years ago Petra Kelly, intense and committed, was the West German name on everyone's lips: Green prophetess of the doom which would arrive with Cruise and Pershing missiles.

The missiles, of course, have arrived (or rather are still arriving), yet the superpowers are talking in Geneva. The most famous German in the world is now Boris Becker—youthful, middle-class, uncomplicated and vastly successful: in short, the ideal symbol of the sort of Germany Mr Kohl would like to head.

So what can thwart a CDU-CSU-FDP triumph in 1987? Economic reversal so soon is virtually inconceivable: rather, one likely event, a revaluation of the mighty D-Mark, can only add to the feelings of economic pride and achievement (and incidentally push inflation still lower).

A scandal then? All that can be said is that its proportions will have to be epic, given those which have already bounced vainly off Mr Kohl's thick political skin. A third possibility is disaster at the most important state election this year, in Lower Saxony. But a repeat of North Rhine-Westphalia is improbable—and if precedent is anything to go by, a modest setback there for the CDU would be no more than the mid-term rule, and of little consequence for a later national vote.

All in all, it is an enviable position. With some justification, the Chancellor's enemies and detractors may put it down to luck: but then luck is the most important political quality of them all.

The UK's manufacturing deficit doesn't matter

By Geoffrey Maynard

MUCH HAS been made by politicians, industrialists and others of the fact that the UK has recently become a net importer of manufactures, an apparently calamitous state of affairs for which government economic policy is seen to be responsible. Curiously, those most critical of the Government for allowing this to happen are often those who criticise it for allowing so much of the rent derived from UK North Sea oil to be invested abroad rather than at home — curious because, if government policy had resulted in none of that rent being invested abroad, almost certainly the UK's net deficit in manufactures would have been even larger.

In 1979, the UK was a net exporter of manufactures of almost £3bn. By 1984 the country had become a net importer of manufactures of over £3bn, a turnround of about £6.3bn. It will surprise no one that in the earlier year the UK was a net importer of mineral fuels, largely oil, of around £1.1bn and in the later year, a net exporter of them of similar amount.

Whereas net imports of oil amounted to about ½ per cent of the UK's GNP in 1979, net exports amounted to around 1½ per cent in 1984, a shift in relation to GNP of over 2½ per cent. Manufacturing, however, shifted from providing net exports equivalent to 1.5 per cent of GNP to net imports of just over 1 per cent, or by 2½ per cent in relation to GNP. The UK became somewhat less dependent on food imports in this period, reflecting the boost given to UK farming by entrance into the EEC, but this also means that the UK now has less need to export manufactures to pay for food.

What could have prevented the UK from becoming a net importer of manufactures, given the onset of North Sea oil? Leaving aside the possibility of a significant decline in the UK's favourable position in invisibles, which seems unlikely, then either a policy of "keeping the bloody stuff in the ground" or one of ensuring that all the economic rent derived from North Sea oil production was invested abroad would have been necessary. The first of these alternatives, though it seemed to have the approval of at least one of the UK's most eminent industrialists, was probably not feasible politically: in any case given oil's unrealistic and unsustainable price level in 1979-82, it would not have been economically sensible to have left the oil in the ground, particularly as North Sea production facilities were already in place. Investing all of the economic rent overseas would have made more sense and would have improved the UK's trade and current account balance by the full amount of the net saving in oil imports, no decline in net manufacturing exports being necessary. In fact, owing to the abolition of controls over external capital movements, getting on for a half of the UK's economic rent was invested overseas, yielding ex post facto a substantial return to the British economy.

NET IMPORTS/EXPORTS AS PERCENTAGE OF GNP

	1979	1984
Food*	−1.8	−1.16
Crude materials	−1.22	−0.85
Mineral fuels	−0.56	+1.72
Chemicals	+0.86	+1.0
Manufactures	+1.48	−1.02
Invisibles†	+2.45	+2.26
Current a/c bal	−0.43	+0.29

— Indicates net imports; + indicates net exports. * Includes beverages. † Services, etc.

Even if all North Sea oil economic rent had been absorbed at home, either in consumption or investment, it is most unlikely that the transition to a net deficit position in manufactures could have been averted. Admittedly, more spending at home might well have prevented the fall in the UK's net import of raw materials relative to GNP—thus implying a smaller decline in the net manufacturing export position—but it seems highly unlikely that expansion of the domestic economy could have prevented the UK from becoming a significant net exporter of oil. (By 1983 over one-third of the UK's oil production was being exported.) The Government could have kept down the price of oil and energy in general, thus encouraging its domestic consumption; but then it would have been open even more to the charge of wasting North Sea oil.

Whether the UK could have avoided becoming at least temporarily a net importer of manufactures must be separated from the question whether the UK's manufacturing sector had to contract in absolute terms.

The Government's pursuance of tight monetary policy in 1979-1982, which put further upward pressure on the real exchange rate, in addition to that imposed by the onset of North Sea oil and simultaneous massive rise in the price of oil, has attracted particular criticism. But neither the difficulties confronting the Government in preventing some decline in UK manufacturing production in a period of world-wide recession precipitated by the 1979-80 oil price rise, nor the economic policy case for using a high exchange rate to pull down inflation and bring about a much needed rise in labour and capital productivity can be overlooked.

However, a rational discussion of the opportunities and costs presented to the UK economy by North Sea oil and a critical evaluation of government economic policies are not helped by emotive reference to the UK's manufacturing deficit, so beloved by some politicians and journalists and, regrettably, even by some economists.

UK North Sea oil production has probably reached its peak and oil prices are on the decline, so exports are likely to fall from now on although the UK will probably not return to being a net oil importer until close to the end of the century. Although repatriation of some overseas assets will make a short-term contribution to closing the implied gap in the UK's balance of payments, other (net) exports, in particular manufacturing exports, will have to make the major contribution in the long run. To help bring this about, the UK's real exchange rate will have to fall.

The widespread fear that the UK no longer has the manufacturing capacity to fill the gap left by oil is probably overdone. A much greater danger seems to lie in the difficulty of bringing about a necessary fall in the UK's effective real wages (that is real wages relative to productivity) as compared with our major competitors. Failure to achieve this will mean that the return of the UK to becoming a net exporter of manufactures again will be the result more of constrained real GDP growth than of rising manufactured exports.

The author is director of economics at Chase Manhattan Bank and visiting Professor at the University of Reading.

Letters to the Editor

Privatisation of water

From the Chairman, Water Panel, Confederation of British Industry

Sir, — David Kinnersley's article (January 15) on the privatisation of the water industry makes a number of telling points about various questions which the Government's expected White Paper will raise. He does not, however, discuss the key underlying objectives of the changes involved in privatisation. It is important to get these clear, in order to establish the yardsticks by which the Government's proposals will be judged.

The primary aim in any further restructuring of the water industry should be to provide the nation with a better, more efficient and therefore cheaper service. To achieve this will require continuing investment in the industry, a committed forward-looking work force dedicated to improvement and change, and a strong management with greater freedom in the financing of capital expenditure.

Water supply and sewage disposal are the most basic services to the community, in both the industrial and in the domestic sectors. For health and welfare reasons the services must be maintained at a high level of reliability at all times.

Industry will look for certain issues to be resolved satisfactorily by the Government's proposals on the privatisation of the water authorities.

The first issue is how to reconcile the profit motive, which will be the incentive to improve efficiency, with the absolute monopoly of the water industry. Strict price control and monitoring of the standard of service will have to be exercised to safeguard the interests of all consumers. This control will inevitably involve judgments on differential pricing between the industrial sector and the domestic, and between individual consumers within these different categories. Many of these judgments will concern the removal of cross-subsidisation between one consumer and another and will thus have political overtones. Satisfactory regulation of a privately owned monopoly utility has yet to be demonstrated in present day economic and social circumstances.

The water industry has its own particular problem arising from the management of a river basin. One of the elements in this task is the control of discharges into the rivers. Kinnersley points out that the water professionals would not want to lose this regulatory function if they are privatised. It has to be said, however, that industrial dischargers would not accept regulation by privately owned water businesses who are themselves discharging to the same rivers from their own sewage works.

Industry shares Kinnersley's view that ways will have to be found to ensure that a privately-owned water business invests appropriately on items such as flood control which are of benefit to the community at large rather than to individual consumers. These again are decisions with a strong political element.

The Government's proposals will have to provide the right answers to these questions if privatisation of the water authorities is to create the benefits that all sectors of the community are entitled to expect.

A. R. Guy.
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345 Foleshill Road, Coventry.

Financial Services Bill

From Mr W. Wilson.

Sir,—Mr Cole (January 23) rightly points out that the "commercialisation" of the Patent Office entails the transfer of judicial powers of the State to an independent public corporation. Another extraordinary example of privatisation of government is found in the Financial Services Bill under which wide legislative and administrative powers, backed by criminal and civil law sanctions, are to be transferred not merely to a public corporation, but to a limited company which "shall not be regarded as acting on behalf of the Crown." The company and its members and officers are to be exempt from liability for damages for anything done in good faith in discharge of their functions. Rules and regulations, which would have been statutory instruments and subject to annulment by Parliament if they had been made by the Secretary of State, are to be made by the company by "instruments in writing" and "made available to the public."

It would not be so bad if this private little system of public law was to be imposed only on the City of London. It will, however, affect, not only financial institutions elsewhere (eg, in Edinburgh), but also a very wide range of the professions — stockbrokers, solicitors and accountants—all over the UK. It is strange that there is to be no statutory duty imposed on this limited company to deal fairly as between the mainstream institutions of the City and the fringe operators elsewhere. Fringe operators are not particularly well represented on the shadow boards which have already been set up.

A more parochial point is that it would appear that it is going to be very difficult for a person in Scotland affected by the limited company's activities to challenge these activities in the Scottish courts as the company will presumably have no place of business in Scotland. A proper goverment agency of the normal type is subject to the jurisdiction of the Scottish courts but it would appear that in this case the small Scottish businessman may have to go to the expense and trouble of going to the London courts. This seems to be an unfortunate situation. As a Secretary of State for Trade and Industry said, however, in a moment of candour, Scotland is peripheral.

W. A. Wilson,
2, Great Stuart St,
Edinburgh.

The costs of protection

From the Director of Studies, Trade Policy Research Centre

Sir,—Mr W. N. S. Calvert of the British Footwear Manufacturers' Federation (January 22) makes certain specific criticisms of the estimates of costs of protection of non-leather footwear which appear in the study by Dr David Greenaway and Dr Brian Hindley. I will leave the reply on these points to the authors but the letter also raises certain general issues that deserve a proper airing.

Anticipating just the sort of attack made by Mr Calvert the preface states "All estimates of costs are uncertain. Indeed, it is the nature of these instruments that costs cannot be computed with any precision. This fact is sometimes used as a basis for objecting to the inevitable imprecision of any estimates of the cost of protection. But this is not an effective charge against those who attempt to compute the costs of covert protectionism but, rather, against those responsible for introducing it." Such estimates must inevitably be imprecise, but that someone may be unable to state the exact value of what has been taken from him does not mean that nothing has been taken.

As is increasingly common, Mr Calvert also mentions the bogy of "unilateral disarmament." Such references to unilateral liberalisation of barriers to trade as equivalent to unilateral disarmament are disturbing because they reveal a complete misunderstanding of what trade is about. Trade is not a war between states. That is the basic mercantilist fallacy. Correspondingly, protection is not a means of national defence.

To state what should be obvious, trade involves a transaction between willing buyers and sellers who happen to reside in different countries. The transaction occurs across frontiers because both the buyers and the sellers obtain more attractive terms than from domestic sellers of competing products or domestic buyers of their own products, respectively. From this it should be clear that if trade is war at all it is not between states, but rather within them — a civil war, in fact. All attempts to present the interests of specific industries as national interests deliberately obscure the central point.

Protection represents the successful attempt of uncompetitive sellers to use the powers of the state to prevent consumers from making their preferred purchases.

Accordingly, the voluntary export restraint cannot be described as a defensive armament from the national point of view. As is noted in the study, what a voluntary export restraint means is that the competitive exporter is compensated by consumers through higher prices for not being allowed to supply consumers as much as they want. If this is defence, then it is of the Danegeld variety and, what is worse, it is those who suffer from the defence, not those who benefit from it, who have to bear the cost.

Martin Wolf.
1 Gough Square, EC4

Aversions shared

From the Managing Director, 30-98 Company

Sir,—I fully share Mr B. Smeed's disappointment (January 22) with the misuse of words.

My pet aversion is the incorrect use by politicians, industrialists, trade union leaders, TV commentators and even your professional reporters of the term "cash flow." Almost without exception they mean "liquidity" which is quite different from the true meaning of cash flow which is retained profits plus depreciation. Liquidity is only one facet of commercial prudence and a trading company can be liquid without being profitable. On the other hand cash flow requires profits.

Incidentally, what has happened to the adverb in the last 10 years? All the pundits now tell us "he won the race easier last week" or "the company is now getting its raw materials cheaper this year."

D. H. V. Walton.
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FINANCIAL TIMES

Wednesday January 29 1986

Weather boosts Exxon profits to $1.8bn

By William Hall in New York

EXXON, the world's biggest oil company, yesterday reported a 26 per cent rise in fourth-quarter net income to $1.8bn and increased its earnings per share by 34 per cent to $2.43.

Colder weather resulted in increased fourth-quarter demand, especially for heating oil and European natural gas. Product margins improved as demand rose and the further weakening of the dollar lowered foreign raw-material costs, Exxon said.

For the full year, Exxon's net income fell 11.9 per cent to $4.87bn and net income per share fell 4.8 per cent to $6.46. Earnings in 1985 before special items rose by $189m to $5.59bn, or $7.42 a share.

Earnings from US exploration and production operations in 1985 rose by $110m to $2.12bn. Foreign exploration and production earnings rose $41m to $2.82bn.

Atlantic Richfield (Arco), the Los Angeles-based oil company that on Monday reported a 5.8 per cent drop in fourth-quarter earnings from continuing operations to $306m announced yesterday that it was temporarily suspending its $4bn share buy-back programme announced last April.

The company, which is restructuring its business, said it was deferring the repurchase programme until it was satisfied that the outlook for crude-oil prices warranted continuation of the buy-back.

Arco, which currently has 181.5m shares outstanding, has completed 85 per cent of its original planned repurchase of nearly 55m shares for $3.4bn.

After the suspension of the buy-back programme, Arco shares fell by $1½ to $52⅞ in early trading yesterday.

Arco announced on Monday that it had made a $164m after-tax provision to cover the cost of a proposed settlement of Department of Energy claims that it evaded price controls in the 1970s. The provision reduced its net income in the fourth quarter to $142m, a 50 per cent drop from 1984.

For the full year, Arco reported a net loss of $202m, or 94 cents a share, after taking substantial write-offs as part of the already announced restructuring of the company.

Unocal, another Los Angeles-based oil group, reported a 54 per cent drop in its 1985 net earnings to $325.1m. Earnings per share dropped from $4.03 to $2.36.

Unocal posted a $134.7m loss in the fourth quarter against net income of $153.4m a year ago. That was primarily a result of a partial writedown of its shale-oil project and sharply higher financing costs, which resulted from its successful defence against a hostile takeover bid from Mr T. Boone Pickens, the corporate raider.

Bank of Japan expected to lower discount rate

BY JUREK MARTIN IN TOKYO

THE BANK OF JAPAN'S policy committee meets today amid apparently growing confidence that it will authorise a cut in the official discount rate from 5 per cent to 4½ per cent, with effect from tomorrow.

Although the central bank has remained cautious in its public utterances, officials have not denied a common belief in the markets that if the yen could hold its new higher value in the first part of this week a discount rate reduction would follow.

So far it has done so. On Monday morning the local currency opened around the Y195.75 to the dollar mark reached in New York last Friday. Yesterday it closed at 195.40, up 0.30 on the day. At one stage it fell below 196.00 but quickly rallied.

A unilateral move by the Bank of Japan, which prefers to take its lead from the US Federal Reserve, would be portrayed here as an attempt by Japan to show its international economic responsibility to moving to stimulate the domestic economy.

The latest figures produced yesterday by the Economic Planning Agency, covering the leading and coincident indicators for the month of November, offered mixed signals. The EPA cautiously said that though the economy had clearly slowed down since last summer, a pick-up in activity was still possible.

But a survey by the Ministry of International Trade and Industry (Miti) of small, export-oriented companies suggested that the damage from the higher yen has been considerable. It said that about 10 companies, making chinaware, textiles, cheap toys, cigarette lighters and spectacle frames, had been forced to close down.

It forecast that if the yen held at the Y190 to the dollar level there would be more widespread bankruptcies and closures, and short-time working.

Last month, the Government extended its emergency assistance programme to small and medium-sized industries (with less than 300 employees and no more than Y100m in capital) from Y100bn to Y300bn.

An individual company in distress may borrow up to Y80m from this fund at a preferential rate of 5.5 per cent, or 1.3 percentage points below the current long-term prime rate. Miti officials estimated yesterday that about Y100bn of the facility had been deployed in the last eight weeks.

More layoffs, slower growth predicted by UK employers

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

BRITAIN's manufacturing industry is facing slower growth in both output and orders and is likely to lay off a further 20,000 workers during the first four months of this year, the Confederation of British Industry said yesterday.

In its latest Industrial Trends Survey, the employers' organisation says that manufacturers appear uncertain about business prospects but several factors point to a slowing in the pace of economic growth.

Manufacturing companies responding to the survey reported the first decline in new orders since 1983, while the rate of increase in output had slackened and there were signs that companies were running down their stocks.

There has also been a significant rise over the last six months in the proportion of companies citing a shortage of orders or sales as a constraint on output.

Introducing the survey, Mr David Wigglesworth of the CBI said that there seemed little prospect of the recovery grinding to a halt. "But for some months now our growth has been slowing and that must be a cause for concern," he said.

Mr Wigglesworth also highlighted what he termed the fierce, competitive pressures being faced by British companies on world markets, which he said were being exacerbated by the much higher interest rates in Britain than elsewhere.

The recent fall in the value of the pound would, if sustained, provide some help for exporters, but companies were increasingly concerned about the volatility of exchange rates and would like the Government to take sterling into the European Monetary System.

The CBI survey shows that the expected decline in employment, averaging 5,000 a month, is likely to be concentrated in large companies where investment is still geared primarily to labour saving. Small firms, however, were likely to take on extra workers.

Manufacturing companies are indicating some resurgence of cost and price pressures from the low levels reported in the last survey in October, but the CBI says that there is no sign that these pose a threat to lower inflation.

The CBI's staff forecasts suggest that the annual rate of increase in producer prices will fall to 4.5 per cent over the next few months from the 5.5 per cent recorded in 1985.

Details, Page 13

Goodrich and Uniroyal plan to merge their tyre businesses

Continued from Page 1

they did not expect any problems on these grounds in the present climate in Washington, where the sensitivity to declining US competitiveness has been growing rapidly under the present administration.

The new company will be called Uniroyal-Goodrich Tire and will have sales of about $2bn, ranking it next in the US to Goodyear, the largest tyre company in the world, which had revenues last year of $10.3bn. Uniroyal-Goodrich also claims that it will be larger than Firestone in the tyre business proper, although Firestone's overall sales last year amounted to $4bn.

In the world industry, Michelin, with revenues of $5.1bn, is also larger, but the new company will be roughly the same size as Pirelli of Italy and Bridgestone of Japan.

The combined group will have around 21,000 employees and equity of about $500,000. Its principal activities will be in the field of car and light truck tyres, with Goodrich bringing into the combination a healthy position in high-performance products and the after-market, while Uniroyal contributes an exceptionally strong interest in original equipment tyres for General Motors.

It will have substantial interests in Mexico, where it is expected to be the largest tyre manufacturer, and in Canada.

Mr Joseph Flannery, chairman of Uniroyal, said that discussions between the two groups had been going on for some time. He denied that the investments by Mr Carl Icahn, the Wall Street speculator who made considerable profits out of buying into both groups last year, and influenced the decision to combine.

Since Mr Icahn's initiative, Firestone has gone private in a management leveraged buy-out financed by almost $1bn of debt, and is now discussing the sale of its chemicals division with a number of possible buyers. After the sale of this division, expected to raise around $800m, Uniroyal will be left as a small chemicals manufacturer with its $250m investment in the tyre side carried on its books as an investment.

Goodrich has similarly slashed investments in its plastics activities in recent years and has rationalised its tyre activities.

German economy

Continued from Page 1

Following the Monday meeting, Bonn officials were also denying as "pure speculation" rumours that the value of the D-Mark might be raised in the European monetary system following the French parliamentary elections in the spring.

Bonn's optimism will have been somewhat dampened, however, by the results of a survey by the Munich-based IFO economic institute which show that manufacturers expect a worsening of the business climate in the next six months because of falling exports. Implicit in that result are fears that the domestic recovery, which the Government fervently hopes will cushion the effects of a slowdown in sales abroad, may not prove strong enough to do so.

Space shuttle explodes

Continued from Page 1

A catchy popular song had been written to honour her adventure, and more than the usual number of people had flocked to the Florida launch site to wish her bon voyage. Among those watching, from an observation post three miles away, were her parents.

As the TV screens remorselessly played and replayed the video of the explosion, they interspersed it with film of the parents' faces as they watched the disaster unfold. Their reaction mirrored that of the nation, incredulity turning to horror and then grief.

Mr Reagan, who was told the news by Mr Bush and Admiral John Poindexter, the National Security Adviser, watched a television replay in "stunned silence," the White House said.

The European Space Agency (ESA), which builds Ariane, the rival commercial satellite launcher, said the loss of Challenger was "a disaster for space in general, and as ESA is in space, a disaster for us."

In a telegram to President Reagan, French President Francois Mitterrand, expressed his "profound emotion" at the news

● The life of Mrs McAuliffe, the teacher who was on the shuttle, was insured with Lloyd's of London for $1m, Lloyd's said last night. But there was no insurance cover placed with the Lloyd's market in respect of any major items of equipment on Challenger.

Mission Control falls silent

Continued from Page 1

based No Greater Love Project which is remembered for its "yellow ribbon" morale-boosting campaign during the Iranian hostage crisis.

Yesterday morning at Mission Control even after news of the crash swept across the city, journalists were still greatly outnumbered by the school parties who day after day troop around the centre's campus and its relics of America's greatest days in space.

The flight had been subject to problems and delay all week. Windy weather caused one cancellation, after which the seven-person crew was briefly trapped inside the space vehicle as workmen struggled to force open the hatch.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	11	52	Edinburgh	F	4	39	Manila	C	31	88	Rio de J'o	C	33	91
Algiers	S	15	59	Faro	S	13	55	Melbourne	S	27	81	Rome	C	7	45
Amsterdam	S	4	39	Florence	—	—	—	Mexico City	F	16	61	Salzburg	C	-3	27
Athens	F	13	55	Frankfurt	C	1	34	Miami	C	21	70	San Francisco	C	20	68
Bahrain	C	17	63	Funchal	R	13	55	Milan	C	1	34	Seoul	S	4	39
Bangkok	S	31	88	Geneva	C	1	34	Montreal	Sn	0	32	Singapore	F	29	84
Barcelona	R	8	46	Gibraltar	S	15	59	Moscow	Sn	-1	30	Stockholm	C	-4	25
Beirut	F	16	61	Glasgow	R	3	37	Munich	F	0	32	Strasbourg	C	3	37
Belfast	C	2	36	Guernsey	S	7	45	Nairobi	F	27	81	Sydney	F	23	73
Belgrade	C	3	37	Helsinki	T	-1	30	Naples	—	—	—	Taipei	F	18	64
Berlin	S	0	32	H. Kong	S	18	64	Nassau	C	24	75	Tangier	F	14	57
Biarritz	C	6	43	Innsbruck	S	-1	30	New Delhi	S	20	68	Tel Aviv	S	18	64
Bombay	S	29	84	Inverness	F	3	37	New York	S	4	39	Tenerife	R	15	59
Bordeaux	F	6	43	Islamabad	C	18	64	Nice	C	9	48	Tokyo	S	7	45
Brussels	S	4	39	Istanbul	F	10	50	Nicosia	C	18	64	Toronto	Sn	-13	9
Budapest	C	1	34	Jakarta	R	29	84	Oporto	F	9	48	Tunis	F	12	54
B. Aires	R	27	81	Jersey	S	6	43	Oslo	Sn	-8	18	Valencia	F	12	54
Cairo	F	19	66	Jo'burg	F	27	81	Paris	S	3	37	Venice	S	2	36
Cape Town	S	22	72	Lima	C	27	81	Peking	S	6	43	Vienna	S	1	34
Caracas	S	28	82	Lisbon	F	11	52	Prague	F	-1	30	Warsaw	S	-1	30
Casablanca	F	14	57	London	S	6	43	Reykjavik	Sn	-6	21	Washington	—	—	—
Chicago	C	5	41	Los Angeles	S	31	88	Rhodes	S	9	48	Zurich	C	0	32
Cologne	C	3	37	Luxembourg	C	0	32								
Copenhagen	C	-2	28	Madrid	F	3	37								
Corfu	F	12	54	Majorca	F	14	57								
Dallas	—	—	—	Malaga	F	14	57								
Dublin	R	4	39	Malta	S	12	54								
Dubrovnik	S	7	45	Manchester	F	4	39								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair H-Hail Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Thatcher 'has nothing to add'

MRS MARGARET THATCHER, the UK Prime Minister, yesterday attempted to bring the Westland affair to a close despite opposition attempts in the House of Commons to press criticisms of her record, writes Peter Riddell, Political Editor, in London.

There was a general feeling of relief among both ministers and Conservative MPs that the worst of the affair might now be over. Conservative MPs jeered whenever the subject was mentioned during Prime Minister's questions, though Mr Neil Kinnock, the leader of the opposition, and other Labour MPs argued that there were still important questions to be answered.

In the face of opposition protests, Mrs Thatcher repeatedly insisted that she had nothing to add to her speech of Monday, particularly in relation to the controversial circumstances of the leaking of part of a letter from Sir Patrick Mayhew, the Solicitor General, to Mr Michael Heseltine, then Defence Secretary, on January 6.

Opposition leaders privately concede that one phase of the affair has now finished and that the emphasis will switch to inquiries by House of Commons committees. A clash is likely between these committees and the Government.

Ministers conceded yesterday that there were lessons to be learned from the affair. Mr Douglas Hurd, the Home Secretary, said on a radio interview that it was important that there should appear to be discussion in cabinet and that Cabinet government should be a reality.

'Realistic' estimate sought for cost of Nimrod

By Bridget Bloom, Defence Correspondent, in London

MR GEORGE YOUNGER, the UK Defence Secretary, will tell top executives of Britain's General Electric Company (GEC) today that he is considering cancelling the controversial Nimrod early warning aircraft.

GEC Avionics has developed the complex electronics and radar systems for the Nimrod aircraft, which has already cost the Defence Ministry nearly £1bn ($1.4bn) and is three years late entering service.

The principal reason for the cost overruns and delay is the failure of the avionics to work to the satisfaction of the RAF.

Mr Younger is expected to tell Mr James Prior, GEC chairman, and Lord Weinstock, managing director, that the company's latest estimates for completing development on the system are unacceptable. That would confirm the message delivered previously by Mr Michael Heseltine, Mr Younger's predecessor, who resigned this month because of the Westland affair.

The precise estimates are disputed. The Defence Ministry says that GEC suggested it would cost £430m and another three years to complete the work. The company says the sum is £345m, not including value-added tax and the finance charges that would be involved in the new proposed fixed-price contract.

Mr Younger is expected to give the company a last chance to produce what the Defence Ministry considers more realistic estimates before he seeks Cabinet approval to seek alternatives.

Mr Younger, however, has no guarantee that even with the extra funds and time required, Nimrod will eventually work to what the RAF terms the necessary minimum operating capability.

The RAF believes that even if that standard were reached, an additional sum of perhaps £300m-£400m would then be needed to bring the aircraft to the standards that would be required in the late 1980s to plug the gap in Britain's air defences.

Mr Younger is under pressure from the RAF to come to an early decision. The RAF would like to buy Boeing's Awacs (airborne warning and control system) aircraft. Two other US aircraft, the Hawkeye operated by the US Navy and the Orion PC3, might also be considered.

There was no detailed comment from GEC last night.

It has been suggested that GEC might not be averse to cancellation, but yesterday Mr Prior, a former Conservative Cabinet minister, said emphatically that GEC wanted to reach an agreement with the Defence Ministry.

Mr Younger is also believed to favour a speedy decision, although in the wake of the Westland crisis, he is being careful to keep the Cabinet informed of what he is thinking and to seek Cabinet approval for all actions in the lead up to possible cancellation, a decision which itself could only be taken at Cabinet level.

If he does decide, as a result of today's meeting, that alternatives should be examined, his next step would apparently be to seek formal estimates from Boeing and other US companies.

Peres and Kohl differ on Mideast peace

MR SHIMON PERES, the Israeli Prime Minister, ends three days in West Germany today with a visit to Berlin, having apparently failed in Bonn to secure full backing for his attempts to negotiate a Middle East peace with King Hussein of Jordan, writes Peter Bruce in Bonn.

Mr Peres and Chancellor Helmut Kohl met for three hours here yesterday and then again for dinner. At a pre-dinner news conference, the Israeli leader, who has been received in Bonn with the honours usually accorded to a head of state, said West Germany had been "helpful" in securing a place for Israeli agricultural products in the EEC despite Spain and Portugal's entry into the community.

He said he and Chancellor Kohl had discussed ways of dealing with international terrorism and, in an implied criticism, said there should be "more co-ordination and more co-operation" in the Western European anti-terrorism effort.

Over dinner, Chancellor Kohl warned Mr Peres, whose current peace efforts centre largely on King Hussein, that the only compromise which would lead to a "lasting and credible" peace in the Middle East would be one which included all states and all affected people, including the Palestinians, in the region.

THE LEX COLUMN

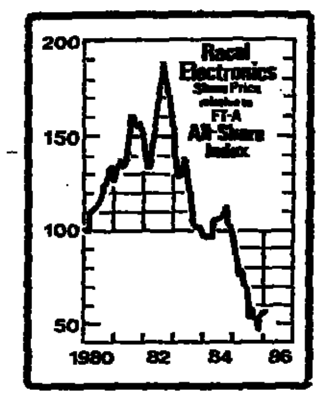
The Racal's progress

It is a mark of the battering that Racal has given its shareholders over the past year that by yesterday the City of London was softened up sufficiently to take a halving of interim profits without so much as a whimper. Indeed, expectations had been so carefully lowered (since the unpleasant surprises which leaked out last October) that pre-tax profits as low as £23.2m acted yesterday as a signal to mark the shares up 10p, to 180p.

As predicted, Racal has yet again suffered disaster in its US data communications business, where it is now estimating that profits this year will drop £45m short of the figure for 1985; in a group which made £132m altogether last year, that is a large hole. If Racal had gone on to forecast a routine rise in reported profits for the full year, there would have been few takers. More credibly, Racal has concentrated on making a case for a recovery in the following year, when its investment in cellular radio is coincidentally budgeted to produce a modest profit. The interesting question for the market, which was listening a year ago to talk of a better trend in modem orders, is whether the optimism is any better founded this time.

So far as costs are concerned, Racal was able to be reasonably convincing. Culling a fifth of Florida workforce, to save $15m in the year to March 1987, Racal has given itself a chance of braking even in Milgo on flattish sales; the risk that the market will worry about is the vulnerability to continued soggy demand. Regiments of consultants and US Government agencies may whistle; they do not guarantee a healthier trend in the market place.

Of course, Racal may at last be due for a change of luck – and one is probably needed to validate some of the straight-line growth plans that were on show yesterday. Either way, there were people in the City thinking the shares were cheap enough to buy in size, with thoughts of recovery or takeover now limiting the possible losses.



Mercantile House

Mercantile House belongs to that select band of companies – Exco and J. Rothschild Holdings are the other prominent members – which for one reason or another bought companies with equity, sold them for cash and are now on the best of terms with their bank managers. But, while Rothschild abandoned its strategic plan and Exco never ventured one, Mercantile has at least stayed true to the idea of establishing an integrated financial services house in London.

Not that the consistency of its planning has won the company many friends in the equity market. Yesterday, Mercantile produced a reasonable set of interim results – profits for the six months to October were up 19 per cent at £32.7m – and the share price dropped 16p to 278p. But for the income support of a 7.3 per cent prospective yield and the recognition that break-up value might be around 400p after a bid, the share price would no doubt be lower still.

Mercantile's earnings outlook is admittedly rather uncertain and it conceded as much yesterday in its statement. The London discount house will not make a proper return until interest rates move back down, commission rates have halved in the US government securities business, deposit broking rates in London have been freed, dollar profits may be reduced on translation and the return on the sale of Oppenheimer will not quite match the contribution which the business would otherwise have made. The high ACT element in the tax charge suggests that Mercantile is none too profitable in the UK and, as if all that were not enough, the group is facing possible start-up losses from its gilt-edged dealership.

So it is scarcely surprising that the equity market is erring on the side of caution. But, even taking a fairly pessimistic view of the second half, Mercantile should make £56m over the full year, leaving the shares on a multiple of well under eight times fully diluted earnings. In the absence of a bid, the shares may not make much progress. But, with cash balances accounting for almost half the group's capitalisation, the market would appear to have discounted all but the very biggest of bangs.

London SE

Last year's debate over the terms for admitting foreign securities houses to the London Stock Exchange is now recognised to have been just so much hot air; and the collapse in the putative entry fee more or less reflects the attractions of membership in any area except, as in the new gilt-edged market, where access to securities is controlled. Members of the Isro can justifiably complain that nobody really noticed their vast and liquid markets in Eurobonds or international equities in London until the need for blanket regulation was dreamed up; after all, it is not as if the likes of Nomura have much by way of UK private clients who need protecting.

None the less, the Isro and the stock exchange have found it worth talking to each other, if only to decide what, in fact, constitutes an international equity. The foreign houses may not share the regulators' fear – outlined again in Birmingham last night by Sir Nicholas Goodison – of a sort of Gresham's Law operating among the Self-Regulatory Organisations; but there must be a limit to the number of times a securities house can tolerate opening its books to different sets of inspectors. And if the offer of joint SRO cover from the exchange is not tempting enough to prevent the international equity markets draining out the exchange's domestic trades, the exchange has the Maxim Gun, or rather a tape, and the Isro has not.

Of course, it could be that these arguments will look old-fashioned in a week or two and capital, rather than regulation, will once again be the greater force moving markets. However, Sir Nicholas's statement last night that the exchange was pondering its attitude to the pre-emption right is a further reminder of how the exchange is being forced to change.

FINANCIAL TIMES
Wednesday January 29 1986

Warner Lambert earnings up 9%

By William Hall in New York

WARNER-LAMBERT, the US healthcare and consumer products group, yesterday reported a 9 per cent rise in 1985 net income per share before non-recurring charges, to $3.05, and forecast that its first quarter 1986 earnings per share would be at least 12 per cent ahead.

The group's net income in 1985 rose by 6 per cent to $238m. However, a $553m after-tax charge to cover a restructuring of its business, which had been announced in November, resulted in a net loss of $316m, or $4.05 per share. In 1984 the group earned $223.9m, or $2.81 per share.

Mr Joseph D. Williams, the group's chief executive, reiterated an earlier forecast that Warner-Lambert would show double digit growth in earnings per share in 1986, and that when the planned sale of the three businesses, announced in November, is completed, the return on equity will be boosted from 16.5 per cent to 28 per cent.

In 1985 sales rose by 1 per cent to $3.2bn. But sales from continuing businesses rose by 5 per cent to $2.8bn and are expected to reach $3.1bn in the current year.

Worldwide sales of prescription pharmaceuticals increased 7 per cent to $880m in 1985, and the company estimates that at constant exchange rates the sales increase would have been about 11 per cent.

Worldwide sales of non-prescription products increased 11 per cent in 1985, and were particularly strong in the US where several new products were introduced. Non-prescription sales would have been up by 15 per cent at constant rates of exchange.

Strong move into black at Champion

By Our Financial Staff

CHAMPION International, a major US building materials, paper and packaging group, bounced back into the black in 1985 with net profits of $163m or $1.59 a share, compared with a loss in 1984 of $6m.

In the fourth quarter of 1985, the Connecticut-based group made net profits of $38.1m or 37 cents a share, in line with Wall Street expectations. In the 1984 final quarter, the company had a loss of $115m after a $150m restructuring charge.

Sales in 1985 rose from $5.12bn to $5.77bn, reflecting the first full year contribution from St Regis, acquired in late 1984. In the fourth quarter, however, sales fell from $1.69bn to $1.19bn.

The company said 1985 results were hampered by the strong dollar which spurred imports and contributed to poor prices.

The paper business lifted operating income from $309m to $401.3m in 1985, despite a fourth-quarter downturn. The increase was due primarily to the inclusion of earnings from former St Regis units.

Packaging profits dropped from $69.5m to $21.9m in 1985, as prices for containers drifted lower. Lack of exports in the linerboard segment pushed domestic stocks higher, but the company says the business may finally have bottomed out.

In the restructured building products segment, by contrast, operating income jumped from $23m in 1984 to $86.9m, with reasonable plywood prices offsetting weak lumber prices.

Screg doubles loss estimate

By Our Paris Staff

SCREG, the large French road construction group, has doubled its estimate of 1985 losses to FFr 1.4bn ($185m) from an earlier forecast of FFr 700m.

Originally the company, which lost FFr 50m in 1984, was expected to lose FFr 300m last year.

At the same time Mr Jean Pierre Bussière, chairman for the past 15 years, has resigned and is being replaced by Mr René Augereau, a vice-president of Bouygues, France's leading construction company.

Bouygues has acquired a 9 per cent stake in Screg with an option to buy a further 17 per cent by the end of June. Should the group decide to exercise its option, it will become the single largest shareholder of Screg with effective control.

Bouygues had not until now been involved in any significant way in the road construction market, Screg's main activity.

FINANCIAL PERFORMANCE STILL SUFFERING FROM EFFECTS OF BELL BREAK-UP

AT&T shows 14% profit gain

BY OUR FINANCIAL STAFF

AMERICAN Telephone & Telegraph (AT&T), the core US telecommunications company which resulted from the break-up of the regional Bell system two years ago, yesterday reported a 13.9 per cent rise in 1985 net profits to $1.56bn.

Mr Charles Brown, the chairman, said, however, that "the difficulties of rebuilding from divestiture persist and consequently our financial performance continues to fall short of our expectations."

But he added: "We have no reservations about the company's strategic direction."

The net earnings for the year – in per share terms $1.37 against $1.25 – were achieved on a 5.2 per cent rise in sales to $34.91bn. Tax charges took a far steeper $963m compared with $581m, although borrowing costs came down to $892m from $868m.

The profits improvement came despite a slight dip in the final quarter, to $364m or 32 cents a share against $370m or 33 cents per share. Revenues for the period rose 8.4 per cent to $9.12bn.

AT&T said, moreover, that the results for those three months had the benefit of a new $29 arising from differences in charging software development, depreciation and pensions which together buoyed per share earnings by 3 cents.

Sales of AT&T services grew 19 per cent in the fourth quarter compared with the same period of 1984, while turnover in its product output was up 10.8 per cent. For 1985 as a whole, the growth rates were reversed, with services showing a rise of 9.4 per cent and products 16.3 per cent.

The company said the rise in service revenues came in spite of cuts in interstate and overseas call charges. This was because of new facilities offered as well as an expansion in the total market.

● Results from GTE, the country's largest telephone system outside the Bell network, confirmed the heavy charges to be taken as a result of joint ventures announced earlier this month with United Telecommunications and Siemens.

After write-downs of $1.3bn or $6.20 per share, the fourth quarter emerged $1.01bn in deficit (a $4.90 loss per share) compared with net earnings of $243.3m or $1.15 per share in the final period of 1984.

For the year as a whole the loss was moderated to $161.1m or 95 cents per share, against earnings of $1.13bn or $5.55 a share. Sales were up 8.1 per cent to $15.73bn while for the final three months alone revenues showed a 9.3 per cent rise to $4.25bn.

Sandoz signs $200m deal to buy US agro-chemicals group

BY JOHN WICKS IN ZURICH

SANDOZ, the Swiss chemicals group, has signed an agreement with the Chicago company Farley/Northwest Industries to buy its agro-chemicals subsidiary Velsicol Chemical for $200m.

Velsicol, also with headquarters in Chicago, is best known for its herbicide Banvel, one of the leading weed-killers used by US maize and wheat farmers.

Although no figure is being released for this and other Velsicol sales "for reasons of competition," a Sandoz spokesman confirmed the acquisition would strengthen the Basle group's agro-chemicals division.

In 1985, this division had shown a 3 per cent increase in turnover to SFr 600m ($295.6m), excluding the SFr 710m sales booked by the seeds sector. In terms of local currencies, growth had been up to 21 per cent.

The transaction is a relatively large one for Sandoz. Its consolidated turnover totalled SFr 8.45bn last year, with earnings up on the 1984 level of SFr 411m.

It means a further strengthening of Sandoz's position on the US market which accounted for some 30 per cent of group turnover in 1984. This share has since been expanded by the takeover last April of the building chemicals manufacturer Master Builders, of Cleveland, with annual sales of $150m. This latter acquisition cost Sandoz $190m.

Dresdner Bank raising DM 1bn

BY JOHN DAVIES IN FRANKFURT

DRESDNER BANK, West Germany's second largest bank, is raising more than DM 1bn ($414.8m) in funds through a one-for-14 rights issue of shares and a bond issue with warrants.

It has also announced that the management will recommend that the supervisory board increase the dividend on last year's result. The bank paid DM 7.50 on its 1984 results, but has not indicated how high the dividend might be for last year.

Dresdner is following soon after Deutsche Bank and Commerzbank in tapping the capital market for a considerable volume of funds. Commerzbank announced last week it would raise DM 900m in a rights issue while Deutsche raised more than DM 1bn in a rights issue last November.

Dresdner Bank is raising DM 660m in its share issue and DM 400m in its bond issue with attached warrants to buy shares.

The new shares will be offered at a price of DM 330 each, compared with a closing price of DM 415.50 on the Frankfurter stock exchange yesterday. The bond issue with warrants will be offered in a five-for-17 ratio.

All the so-called "big three" commercial banks enjoyed buoyant profits last year, although final results have not yet been disclosed.

Marathon Oil result bolsters sagging US Steel profits

BY OUR FINANCIAL STAFF

US STEEL, the largest domestic steel producer, yesterday reported net profits of $409m or $2.56 a share for 1985, with a "continued strong performance" by Marathon Oil overshadowing weak results in most of the company's other businesses.

The Pittsburgh-based concern, which in October agreed to buy Texas Oil & Gas for about $3.6bn, had reported profits of $493m or $3.52 in 1984. It attributed the 17 per cent drop in profits last year to significant price deterioration in its major markets.

In the fourth quarter, US Steel earned $57m or 26 cents a share, compared with a profit of $29m a year earlier and down sharply from the third quarter figure of $100m. In the 1984 fourth quarter there were no per share earnings after preferred dividends were paid. Total operating income fell in the fourth quarter from $266m to $237m.

Total sales edged up from $19.1bn to $19.3bn in the year, and from $4.65bn to $4.73bn in the fourth quarter.

In the steel and related resources business, the company reported operating income of $27m in 1985 on sales of $6.6bn, compared with $142m on sales of $6.5bn in 1984. Shipments rose from 11.8m tons to 12.5m tons in the year, and from 2.52m tons to 3.16m tons in the quarter.

In contrast the oil and gas segment had pre-tax operating income of $1.27bn in 1985, even with those of 1984, on sales of $10.5bn, compared with $10.2bn a year earlier.

Operating income from the company's other industry segments dropped from $146m to $46m in the year.

BNA wins right to lift capital

By James Buxton in Rome

SHAREHOLDERS in Banca Nazionale dell'Agricoltura (BNA), Italy's largest private sector bank, have approved an increase in the bank's capital by L228bn ($139m) in new funds.

BNA is Italy's eleventh largest bank. In 1984 it had total deposits of L21.490bn. The institution is controlled by the family of its chairman, Count Giovanni Auletta Armenise.

Under the measures approved by shareholders BNA is to increase its nominal capital from L81bn to L85.5bn by means of a free issue of new shares on a one-for-18 basis.

The bank will then make a rights issue of savings shares which will take the bank's nominal capital up to L114bn. Shareholders will be offered one new savings share for every three ordinary or preference shares held. The 57m new shares will have a nominal value of L500 each and carry a premium of L3500, thus raising L228bn.

Suez lifts consolidated surplus to FFr 1.2bn

BY DAVID MARSH IN PARIS

COMPAGNIE Financière de Suez, the French state-owned financial and industrial group, increased its net consolidated profits last year to at least FFr 1.2bn ($159m), up from FFr 1.04bn in 1984. The final 1984 profit was reduced to FFr 705m because of charges linked to the group's progressive sale of its former 40 per cent stake in the Crédit Industriel et Commercial banking group.

Parent company net profit last year came to FFr 660m compared with FFr 390m in 1984, made up of FFr 270m in current earnings and FFr 390m in capital gains from Suez holdings.

Mr Jean Peyrelevade, chairman, revealed the 1985 earnings figures at the same time as the announcement of a FFr 1.8bn equity-raising and stock-conversion package through a new issue of non-voting preference shares (*certificats d'investissment*). The funds will be raised partly through exchange of CIs for non-voting loan stock (*titres participatifs*) issued in 1984 by the Suez banking arm, Banque Indosuez.

Bull to show 'small profit'

By Paul Betts in Paris

BULL, the nationalised French computer group, will show a small profit in 1985 after three years of heavy losses, Mr Françis Lorentz, the state group's managing director, said yesterday at the launch of a new microcomputer in Paris.

The profit for 1985 is expected to total about FFr 20m ($2.74m) and follows losses of FFr 1.3bn in 1982, FFr 625m in 1983 and FFr 489m in 1984. The return to the black reflects a sweeping reorganisation and restructuring programme.

Bull's sales are expected to show an increase of 18.5 per cent to more than FFr 16.1bn last year

Dyno in talks to buy explosives company

BY KEVIN DONE IN STOCKHOLM

DYNO INDUSTRIER, the Norwegian explosives, chemicals and plastics processing group is negotiating the takeover of Nitro Nobel, the commercial explosives subsidiary of Nobel Industries of Sweden in a deal worth between SKr 400m ($53m) and SKr 500m.

Dyno has expanded rapidly in commercial explosives in the past two years as a result of two important acquisitions in the US, where it now controls 35 to 40 per cent of the commercial explosives market.

In 1984 it took over Ireco, the explosives unit of the Houston-based Gulf Resources and Chemicals, and last year it bought the explosives division of Hercules, the US chemicals group.

Nitro Nobel had sales of SKr 495m in 1984 and operating earnings of SKr 44m. It has a workforce of around 1,000.

If the acquisition goes through as planned Dyno will also take over Nobel Industries production plant in northern Sweden for nitric acid and ammonium nitrate, two of the major raw materials for explosives.

Dyno Industrier, which is 50.5 per cent owned by Norsk Hydro, the Norwegian energy, fertilisers and chemicals group, had sales last year of around NKr 3.5bn, of which around half was in commercial explosives.

Merck tightens margins in final quarter

By Terry Dodsworth in New York

MERCK, the US pharmaceuticals group, registered a 10 per cent increase in net profits last year, mainly because of better cost controls, productivity gains and an improved product mix.

Net income rose to $539m, or $7.58 a share, from $492m, or $6.71, while sales slipped slightly to $3.55bn from $3.56bn – the result of the sale of two subsidiaries, Calgon Carbon and Baltimore Aircoil.

In the fourth quarter earnings rose to $134.4m, or $1.92 a share, from $115.6m, or $1.59, as sales dropped to $958m from $962m. In both periods earnings per share benefited from the group's share repurchase programme carried on through 1984 and 1985.

Over the full year foreign-exchange moves had a negative impact on sales of 2 per cent, but the slide in the dollar during the final quarter of the year affected revenues favourably by 4 per cent. Overseas sales came to 45 per cent of the total in 1985.

In the human and animal health products segment of Merck's business, unit volume increase resulted from the inclusion of Banyu Pharmaceutical of Japan in the consolidated results since the fourth quarter of 1984. At the same time the figures were helped by the introduction of a number of new antibiotics.

Global Marine files for Chapter 11 in US

BY OUR NEW YORK STAFF

GLOBAL MARINE, the world's second-biggest offshore drilling contractor which has been struggling for months to reschedule its $1bn borrowings, has filed for protection under Chapter 11 of the US bankruptcy code.

The Houston-based company, which has one of the most modern drilling fleets in the industry, is the first major casualty of the recent drop in world oil prices. It blamed the continuing downturn and worsening of conditions in the offshore drilling industry for its action.

Global, with its 34-rig fleet, is operating in most of the world's major offshore oilfields. Its decision to file for bankruptcy court protection underlines the severe pressure facing many companies in the oil services industry where activity has fallen following the sharp drop in oil prices.

Global is especially vulnerable to any cutback in activity because it has just completed a major expansion of its fleet.

It stopped paying dividends early last year and suspended principal and interest payments on its $1bn debt last July in an apparent attempt to pressure its lender to agree to a debt rescheduling. Its shares, which used to trade around $36 in the early 1980s, have recently been trading at $1¼, capitalising the company at a nominal $40m.

About two thirds of the company's debt is owed to foreign banks and export credit agencies in Canada and Finland.

The company also announced a fourth-quarter loss of $112m

Monsanto loss

MONSANTO, the US chemicals group, made a net loss of $98m in 1985. The figure was inadvertently given as a profit of $93m in the article on management changes at the group in the International Appointments section on Monday.

IDI to pay first-ever dividend

BY DAVID MARSH IN PARIS

INSTITUT de Developpement Industriel (IDI), the French Government-backed industrial development agency, is to pay a dividend to shareholders for the first time in its 15-year history after making a FFr 140m ($19m) profit last year.

Mr Claude Mandil, IDI chairman, announcing the results yesterday, said the institution now had the capacity to make profits and to maintain a rhythm of new investment at around FFr 200m a year during the next few years.

IDI, owned 45 per cent by the state, and 11.4 per cent by Electricité de France, with the rest held by banks and financial institutions, has switched emphasis considerably during the last two years.

After being called upon by the Socialist Government to inject funds into a variety of loss-making companies – including the textile group Boussac – IDI since 1984 has been allowed to concentrate on its original mainstream business of taking minority stakes in promising small and medium-sized companies.

Mr Mandil, who took over in January 1984, said IDI might eventually consider floating its own shares on the bourse, although it would need to make considerably more profits. The option would not be explored before three or four years, he said.

Of last year's profit, FFr 8.7m will be distributed in dividends with FFr 11.3m added to reserves and FFr 120m used to clean up the balance sheet, burdened by years of previous losses.

Moet plans one-for-five scrip issue

BY OUR PARIS STAFF

MOËT-HENNESSY, the leading French champagne and cognac group, is increasing its capital by FFr 49.6m ($6.7m) through a scrip issue involving one new share for every five shares held.

The Moët-Hennessy board has also decided to pay a net interim dividend of FFr 9 a share. It confirmed it expected the group's pre-tax earnings to rise 25 per cent in 1985 compared with the year before. Pre-tax earnings in 1984 totalled more than FFr 1bn and in the first half of last year pre-tax profits amounted to FFr 563m.

The company said consolidated group sales totalled FFr 7.65bn last year, increasing by 12 per cent during 1984. Champagne and wine sales rose 9.3 per cent to FFr 3.35bn, while cognac and spirits sales rose by more than 14 per cent to FFr 2.45bn.

The group's Parfums Christian Dior subsidiary saw sales rise by 16 per cent to FFr 1.43bn.

We are pleased to announce the election of
the following as officers
of our Corporation

Vice Presidents

VALERIE COUFOS-BACHRACH (New York)
WOLFGANG K. FLÖTTL (New York)
YOSHIHISA FUNAYAMA (Tokyo)
MASAKAZU HASEGAWA (Tokyo)
RODOLFO E. MILANI (New York)
STEPHEN M. MONROE (New York)

Assistant Vice Presidents

HIROSHI KOYAMA (Tokyo)
SHIN TOKOI (New York)

and in our
International Affiliates:

Kidder, Peabody Securities Limited

Vice Presidents

CAROLINE McNICHOLAS (London)
MICHAEL J. MOONIE (London)
ANTHONY P. REA (London)

Assistant Vice President

CHRISTOPHER M. HAYWARD (London)

Kidder, Peabody International Limited

Vice President

NICHOLAS C. KESLEY (London)

Assistant Vice President

ROBERT PUOPOLO (London)

Kidder, Peabody & Co. Limited

Vice Presidents

JEAN-CHARLES CORMIER (Paris)
SANDRA D. HOARE (London)
MOHAMED ZAYAN (London)

Assistant Vice Presidents

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Kidder, Peabody & Co. Incorporated
Founded 1865
Members New York and American Stock Exchanges

New York London Paris Geneva Hong Kong Tokyo Zurich
Boston Philadelphia Chicago San Francisco Los Angeles Atlanta Dallas Kansas City

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This announcement appears as a matter of record only.

Commercial Paper Program

for

Eastman Kodak Company

MORGAN STANLEY & CO.
Incorporated

January 29, 1986

Autopista Vasco-Aragonesa, Concesionaria Española, S.A.

U.S. $70,000,000
Guaranteed Floating Rate Notes Due 1995

Unconditionally Guaranteed by

The Kingdom of Spain

Notice is hereby given that for the six months interest period from January 29, 1986 to July 29, 1986 the Notes will carry an interest rate of 8¼% per annum. The interest payable on the relevant interest payment date, July 29, 1986 against Coupon No. 2 will be U.S.$414.79 and U.S.$10,369.79 respectively for Notes in denominations of U.S.$10,000 and U.S.$250,000.

Noteholders are advised that with effect from January 27, 1986 the Reference Banks are The Chase Manhattan Bank, N.A., Morgan Guaranty Trust Company of New York, Chemical Bank and Swiss Bank Corporation.

January 29, 1986
The Chase Manhattan Bank, N.A.
London, Agent Bank

TAMSA

TUBOS DE ACERO DE MEXICO, S.A.

US $85,000,000
Floating Rate Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from 29th January, 1986 to 29th July, 1986 has been established at 9½ per cent. per annum.

The interest payment date will be 29th July, 1986. Payment which will amount to US $1,194.10 per US $25,000 Note and US $238.82 per US $5,000 Note, will be made against the relative coupon.

Agent Bank
Bank of America International Limited

CRA Finance Limited

Guaranteed Floating Rate Notes 1995

Holders of Floating Rate Notes of the above issue are hereby notified that for the next interest period from January 29, 1986 to July 29, 1986 the following information is relevant:

1. Applicable Interest rate: 8¼% per annum
2. Interest payable on next Interest Payment Date: US $4,147.92 per US $100,000.00 nominal or US $20,739.58 per US $500,000.00 nominal
3. Next Interest Payment Date: July 29, 1986

January 27, 1986
BA Asia Limited
Agent

INTL. COMPANIES

Boeing profits rise 45% at year-end

EARNINGS at Boeing, the US aircraft manufacturer, soared by 45 per cent on an underlying basis last year, propelled by higher demand for commercial jets, increased interest income and reduced interest expense, writes Terry Dodsworth in New York.

Net income amounted to $566m or $3.75 a share, against $390m, or $2.67 a share, although in 1984 final earnings were increased by a non-recurring gain of $397m for tax adjustments, made under new federal rules on accounting for overseas sales. Revenues rose by 31 per cent to $13.6bn from $10.4bn.

In the final quarter last year earnings were also up sharply, rising by 52 per cent to $188m, or $1.21 a share, from $124m, or 84 cents a share, while sales rose to $4.2bn from $3.3bn.

N. American quarterlies, Page 37

Merrill Lynch lifts earnings

MERRILL LYNCH, largest of the Wall Street securities firms, has reported sharply higher fourth-quarter and full-year net earnings helped by the strong performance of the financial markets, tight expense controls and revenue gains, writes Paul Taylor in New York.

Merrill said fourth-quarter net earnings, as reported in brief yesterday, more than doubled to $62.7m, or 52 cents a share (60 cents a share fully diluted), from $29.8m, or 31 cents a share, in the corresponding period a year ago on revenues that grew to $2.02bn

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Woodside Financial Services Ltd.
(Incorporated in the State of Victoria)

U.S. $300,000,000
GUARANTEED FLOATING RATE NOTES
DUE FEBRUARY 1997

Unconditionally Guaranteed by The Industrial Bank of Japan, Ltd.

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the initial interest period from January 28 to May 28, 1986 the Notes will carry an interest rate of 8$\frac{3}{16}$% per annum. The amount payable on May 28, 1986 will be U.S.$6,822.92 and U.S.$272.92 respectively for Notes in denominations of U.S.$250,000 and U.S.$10,000.

The Chase Manhattan Bank, N.A.,
London, Agent Bank
January 29, 1986

CHASE

US $150,000,000 Guaranteed
Floating Rate Notes due 2004
of
Sanwa International Finance Limited

Guaranteed as to payment of Principal and Interest by

The Sanwa Bank, Limited

Notice is hereby given that the Rate of Interest has been fixed at 8¼% and that the interest payable on the relevant Interest Payment Date July 29, 1986 against Coupon No. 4 in respect of US$10,000 nominal of the Notes will be US$414.79

January 29, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

NOTICE OF OPTIONAL REDEMPTION

crédit foncier de france

U.S. $60,000,000
Guaranteed Floating Rate Notes due 1990

Notice is hereby given that in accordance with the description of the above Notes, Crédit Foncier de France, has elected to redeem all of the outstanding Notes at their principal amount on 19th March, 1986, when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation and surrender of the Notes with all unmatured Coupons attached, at the offices of any of The Paying Agents mentioned thereon.

Accrued interest due on 19th March, 1986 will be paid in the normal manner against presentation of Coupon No. 7.

The Sumitomo Bank, Limited
Fiscal and Paying Agent

Bank of Tokyo (Curacao) Holding N.V.
US $50,000,000
GUARANTEED FLOATING RATE NOTES DUE 1987

Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by

The Bank of Tokyo, Ltd.
(Kabushiki Kaisha Tokyo Ginko)

In accordance with the provisions of the Agency Agreement between Bank of Tokyo (Curaçao) Holding N.V., The Bank of Tokyo Ltd., and Citibank, N.A., dated July 10, 1980, notice is hereby given that the Rate of Interest has been fixed at 8$\frac{5}{16}$% p.a. and that the interest payable on the relevant Interest Payment Date, July, 29, 1986 against Coupon No. 12 will be US$208.97.

January 29, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

CAMBRIAN & GENERAL SECURITIES p.l.c.
US$100,000,000
Secured Floating Rate Notes Due 1992
Initial Tranche of US$50,000,000

Notice is hereby given that the Rate of Interest has been fixed at 9⅜% and that the interest payable on the relevant Interest Payment Date July 29, 1986 against Coupon No. 3 in respect of US$10,000 nominal of the Notes will be US$471.35.

January 29, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

In the name of Allah, the Beneficent, the Merciful
"Lo. Allah commandeth you that ye restore deposits to their owners"
Truthful is Allah the Magnificent.

دار المال الإسلامي القابضة

DAR AL-MAAL AL-ISLAMI TRUST
— Important Announcement —

Dar Al-Maal Al-Islami Trust gave an announcement which was published according to the following schedule:

Country	Newspaper	Date
Saudi Arabia	Al Madina	22.12.85/10 Rabia Al-Thani 1406 AH
	Al Riyadh	23.12.85/11 Rabia Al-Thani 1406 AH
	Al Yaum	24.12.85/12 Rabia Al-Thani 1406 AH
Egypt	Al Ahram	25.12.85/13 Rabia Al-Thani 1406 AH
Kuwait	Al Seyassah	25.12.85/13 Rabia Al-Thani 1406 AH
Bahrain	Akhbar Al Khaleej	6. 1.86/25 Rabia Al-Thani 1406 AH
Qatar	Al Arab	9. 1.86/28 Rabia Al-Thani 1406 AH
UAE	Al Ittihad	25.12.85/13 Rabia Al-Thani 1406 AH
Sudan	Al Sahafa	24.12.85/12 Rabia Al-Thani 1406 AH
United Kingdom	Financial Times	27.12.85/15 Rabia Al-Thani 1406 AH
Bahamas	Nassau Guardian	31.12.85/19 Rabia Al-Thani 1406 AH

Following is the text of the above mentioned announcement:

"During the distribution of equity participation certificates for its 1st issue of capital, DAR AL-MAAL AL-ISLAMI TRUST (DMI) handed over to Mr. Mohamed Said Al Nahlawi in Kuwait on May 20, 1982, 50 (fifty only) bearer certificates of DMI Trust, each representing 1000 units (one thousand only) and totalling 50000 units (fifty thousand only) for delivery to a subscriber living in Kuwait, These certificates bear the following numbers:

Certificates numbers *	Number of certificates	Denomination of one certificate	Total number of units
from number: 601524 to number: 601573	50	1,000 equity participation units	50,000 equity participation units

Whereas the owner of these equity participation certificates has informed the Trust recently that he has not yet received the said certificates;

whereas Dar Al-Maal Al-Islami does not know who is currently in possession of these certificates with the exception of the two certificates, number 601525 and 601527.

Now therefore Dar Al-Maal Al-Islami Trust, according to its procedure in case of loss of certificates, kindly invites anyone, who can either give any information concerning the said certificates or has them in his possession through purchase, donation or any other means, to inform or call with these certificates at any of the Trust's offices mentioned below during one month from the date of publication of this announcement. After this time limit, the Trust will issue new certificates bearing new numbers to replace the ones lost, which will cancel all rights attached to the possession of the above-mentioned certificates and render them null and void."

Whereas one month — which is the time limit prescribed in the above mentioned announcement — has passed without anyone informing any of the Trust's offices of the certificates whose number are mentioned in the announcement.

Whereas the Trust did not get any other information as to who is in possession of these certificates.

Now therefore Dar Al-Maal Al-Islami Trust, in conformity with its Indenture, informs that it will issue new nominative certificates to the original owner from February 1st, 1986 corresponding to 22nd Djumadi Al-Awla 1406 AH. Consequently the certificates mentioned in the above quoted announcement are considered null and void with immediate effect.

Allah is the purveyor of success.

Trust Administrator
Dar Al-Maal Al-Islami SA
84 av. Louis-Casai
PO Box 161
1216 Cointrin/Geneva, SWITZERLAND
Phone 022 98 40 40
Telex 28391 shar ch

Sanyo replaces president after oil heater accidents

BY YOKO SHIBATA

SANYO ELECTRIC, the Japanese manufacturer of consumer electric appliances, has replaced its president following a number of fatal accidents this winter attributed to defective kerosene heaters made by the group.

It was announced yesterday that Mr Kaoru Iue is to step down as president—the post equivalent in Japan to chief executive—as part of a top-level reshuffle which includes two board resignations.

The deaths were said to have been due to leaks of carbon monoxide from kerosene powered fan heaters. The company has had to draw some Y490m ($2.5m) from internal reserves as an initial measure to finance a recall of the product line, and directors have waived their traditional year-end bonuses.

Mr Iue, who is to remain on the board and will assume the post of advisor to Sanyo, has been replaced as president by Mr Satoshi Iue, until now vice-president.

In its results for the year to November, released yesterday, Sanyo made no provision for compensation which might be due to victims of the gas leaks, who are believed to number about 16.

Annual sales for all its products exceeded the Y1,000bn mark for the first time

Parent company pre-tax profits rose 5 per cent to Y58.5bn, assisted by foreign exchange gains.

Sanyo is to increase its per-share dividend by Y1 to pay Y8 for the year, in order to return to shareholders part of the proceeds from its convertible bond issue.

For the current year, Sanyo faces a deteriorating export environment amid the yen's steep appreciation as well as intensifying competition among makers of electric goods. Sales are expected to level off at Y1,050bn, while pre-tax profits are projected at Y48.2bn, down 26.1 per cent, and net profits at Y23.3bn, down 17.7 per cent.

Earnings setback at Minebea

BY OUR TOKYO STAFF

MINEBEA, THE Japanese ball-bearing maker, which last year became the target of the country's first hostile foreign takeover bid, suffered a 32.2 per cent fall in consolidated pre-tax profits to Y6.34bn ($32.4m) in the year to September.

At the operating profits stage, the results for the group as a whole were 57.2 per cent higher than those by parent company alone. However, consolidated pre-tax profits were 43.8 per cent lower than those achieved by the parent.

Minebea blamed the poor consolidated performance on a higher interest payment burden accompanying a Y46.2bn increase in short- and long-term borrowings for the acquisition of New Hampshire Ball Bearing of the US and capital investment at Minebea Thailand.

Consolidated sales rose 5 per cent to Y155bn, with net profits of Y3.13bn, up 1.9 per cent. Earnings per share were Y14.14 against Y14.19.

For the current year to September, the company projects its consolidated pre-tax profits at Y7bn, up 10.5 per cent, with net profits at Y3bn, down 4 per cent, on sales of Y165bn, up 6.5 per cent from the previous year.

World-Wide Properties put into liquidation

By Our Hong Kong Correspondent

WORLD-WIDE Properties Corporation, a Hong Kong group which was seriously hurt by the local property market collapse in 1982, was put into liquidation yesterday with liabilities outstripping assets by about HK$500m (US$64m).

Efforts to keep the company alive were effectively doomed late last November when Bank of Tokyo and Hong Kong's Hang Lung Bank, World-Wide's principal external creditors, issued claims to recover debts and guarantees amounting to HK$84.7m. Nominees of the two banks, and from Price Waterhouse, the accountancy firm, were appointed to the board in December.

Barclays National Bank lifts pre-tax profit 57%

BY JIM JONES IN JOHANNESBURG

BARCLAYS National Bank, South Africa's largest banking group, increased pre-tax operating profits by 57 per cent to R181.2m ($81.3m) in 1985 despite a substantial increase in provisions for bad and doubtful debts.

A higher tax bill meant that net earnings rose by only 21 per cent to R100.8m. Total assets increased to R22.94bn from R19.43bn while total advance rose to R15.07bn from R13.72bn. Return on total year-end assets improved to 0.48 per cent from 0.43 per cent.

Mr Chris Ball, the managing director, said the profit increase resulted mainly from an improvement in the interest turn as interest rates fell. The South African Reserve Bank, the country's central bank, is currently orchestrating a decline in interest rates, which has led the commercial banks to cut their prime overdraft lending rates to 16.5 per cent by the end of 1985 from a record 25 per cent in May last year.

Last September Barclays National raised R254m by means of a rights issue which was not followed by the bank's British parent. As a result the stake held by Barclays Bank of the UK declined to just over 40 per cent from just over 50 per cent and the South African bank ceased to be a subsidiary.

Earnings per share rose to 168.9 cents from 151.6 cents and an unchanged total dividend of 95 cents has been declared.

Konishiroku Photo takes over US distributor

By Carla Rapoport in Tokyo

KONISHIROKU Photo Industry, the maker of Konica film and cameras, has acquired Royal Business Machine, a US office equipment marketing company, in a deal believed to be worth around $80m.

Royal, based in Connecticut, was owned by Triumph Adler, the business machines unit of Volkswagen of West Germany. The US group had been selling the Japanese company's copiers under the name of Royal. Following the acquisition, the machines will be marketed under the Konica brand name and the company's own name will change to Konica Business Machines.

Konishiroku said yesterday that it currently has about 4 to 5 per cent of the US copier market, but would like to boost this figure to 10 per cent. It has about 7 to 8 per cent of the domestic Japanese copier market under the brand U-Bix.

The Japanese group owned 34 per cent of Royal before it decided to acquire the whole group. Royal has about 47 branches and 300 retail agents in the US and Canada. Last year, its sales were about $280m.

Anglo American vote delay

By Our Johannesburg Correspondent

A THREATENED rejection by US shareholders of Anglo American's plans to merge its four Orange Free State gold mines failed to materialise in Johannesburg yesterday at meetings called to vote on the merger.

But although shareholders of President Brand, President Steyn and Western Holdings voted overwhelmingly in favour of merger, questions from the floor at Free State Geduld pushed its meeting beyond the allotted time and it was adjourned for two weeks.

The planned merger will create the world's largest individual gold mining company with an annual milling capacity of more than 20m tonnes and producing about 113 tonnes of gold worth almost $1.3bn

Wah Kwong share trading suspended

BY DAVID DODWELL IN HONG KONG

WAH KWONG, the Hong Kong shipping group headed by Mr Frank Chao, requested suspension of trading in its shares yesterday, and signalled a restructuring aimed at preventing a collapse.

The company, which is Hong Kong's third largest shipping group, appointed Amex Asia, the merchant banking arm of American Express Bank, to assist the group to "analyse its financial position" and to take the measures needed to ensure "financial stability."

Mr Chao said yesterday that leading creditors—among them Standard Chartered Bank and Hong Kong and Shanghai Banking Corporation—had given "indications of support" for a debt restructuring if this proved necessary. Standard Chartered has indicated that in principle an additional standby credit was available, he said.

Admission that Wah Kwong is on the verge of collapse comes just months after two of Asia's leading shipping groups crashed. Sanko Steamship of Japan failed in August last year with debts estimated at Y520bn ($2.7bn).

Wheelock Maritime, the shipping arm of Wheelock Marden. The Hong Kong trading group, was liquidated in July last year shortly after the parent was taken over by Sir Yue-Kong Pao's Hongkong and Kowloon Wharf and Godown Company.

The Hong Kong-based C. H. Tung group, which controls the publicly quoted Orient Overseas Holdings, sent up an SOS a month later. It received a line of credit of more than HK$1bn (US$128m) as work on a rescue plan began.

At the end of 1984, Wah Kwong reported net debts amounting to HK$2bn with shareholders' funds stated at HK$1.3bn. The group yesterday gave no indication of how seriously its debts had mounted by the end of 1985.

Wah Kwong is understood to have been hurt by the collapse of Sanko, which had chartered a number of its vessels. Further damage has been inflicted by the troubles of the Karlander Kangaroo line in Australia, which had chartered five vessels from Wah Kwong.

Mr Chao has stood alone among Hong Kong shipowners in the past two years because of his refusal to bow to pessimistic forecasts about the future of the industry.

KLSE seeks lifeboat for forward contract brokers

BY WONG SULONG IN KUALA LUMPUR

THE KUALA LUMPUR Stock Exchange (KLSE), which has just completed its assessment of the forward share purchase contract obligations of its members, has announced that it will seek an 80m ringgit ($32.6m) financial lifeboat from the country's commercial banks to help brokers who could default.

Mr Nik Mohamed Din, KLSE chairman, said: "As a matter of policy, the KLSE strongly adheres to the principle that all valid contracts should be honoured in order to maintain the integrity of the broking industry."

His assurance has been welcomed by bankers and analysts, who believe the KLSE has defused a potentially unpleasant situation between Malaysian and Singapore stockbroking firms over the legality of their forward contract obligations.

Several Malaysian brokers have disputed their obligations to take delivery from Singapore brokers of sizeable forward contract shares in Sigma International, the Singapore-based company controlled by Mr Tan Koon Swan, now facing criminal charges in the island republic.

● Two new directors have been appointed to Promet, the oil-rig and construction group, in a move that further enhances the position of Datuk Brian Chang, the Singaporean managing director, in his dispute with Tan Sri Ibrahim Mohamed, the Malaysian executive chairman.

Mr Mohamad Izat Emir, chairman of the Kuala Lumpur branch of the Malay Chamber of Commerce and Industry, is made executive deputy chairman, while Dr Paul Yong Min Hian, a senior Promet executive, is appointed director. The appointment of Mr Izat is seen as countering charges that Promet, a Malaysian-incorporated company, is being taken over by Singaporeans, led by Datuk Chang.

INTERNATIONAL COMPANIES and FINANCE

Eurobonds attract little enthusiasm

BY MAGGIE URRY

A RISE in the New York market and hopes of an interest rate cut in Japan encouraged traders yesterday to mark up prices in the Eurodollar bond market by ¼ point. But there was very little investor interest, and Eurobond were once again lagging behind New York.

Only one new issue was launched in the Eurodollar sector, a $100m issue for Long Term Credit Bank Japan, led by LTCB International. This looked generously priced for a Sushi issue (one which can be sold freely to Japanese investors). The 10-year bonds carry a 9¼ per cent coupon and are priced at 101⅛. They can be called at par after seven years. The bonds were quoted at a discount within the 2 per cent fees.

The D-Mark market was again more active in the afternoon with demand coming from abroad. Attention centred on the new issues, and prices were slightly higher.

Commerzbank launched a DM 100m 10-year issue for BHW Finance, the borrowing vehicle for the BHW group, one of the largest home savings banks in Germany. This is its first Eurobond issue and some dealers felt that the name may not be well known among foreign investors. Terms were set at a 6¾ per cent coupon and par issue price. The bonds were quoted within the 1½ per cent selling concession.

Schweizerischer Bankverein (Deutschland) fixed the terms on its parent SBC's DM 200m bond with equity warrants. The 10-year bonds pay a 2¾ per cent coupon and are issued at par. The warrants give the right to buy SBC bearer participation certificates for SFr 500 each—the closing price on the stock exchange yesterday. The package continues to trade well at around 106.

The Swiss franc foreign bond market was, if anything, weaker in dull trading yesterday. The volume of new issues has slowed over the last week, but a Swiss franc deal for Tohoku Electric Power, led by UBS, appeared yesterday. The maturity will be eight to 10 years, with the yield indicated a 5½ per cent for an eight year life.

Late in the day the World Bank launched a Y25bn deal in the Euroyen market, led by Yamaichi International (Europe). The 10-year issue is non-callable for life and pays a 6½ per cent coupon. Issue price was set at 101½. The fees caused some controversy. They were set at 1¾ per cent, a level which the lead manager argued is correct for a 10-year Euroyen deal for the World Bank. The issue was launched too late to trade widely.

In the domestic yen market Ireland launched a Y20bn Samurai deal led by Daiwa Securities. The 10-year bonds were given a 9.7 per cent semi-annual coupon and a par issue price. They are callable from 1993 starting at 103.

Expected today is a Euro-French franc issue for Renault, raising FFr 500m. Societe Generale will be the book runner on the five-year issue, which may have an extendable feature. The issue, the third this month, is an addition to the January calendar. Two deals are due in February.

William Dullforce on moves by a traditionally conservative financial centre to retain market share

Big Swiss banks pick up the gauntlet of competition

THE BIG SWISS banks have cut their underwriting commissions in response to external and internal forces bent on prising open the Swiss franc bond market. Their decision recognises the growing competitive threat from the newly deregulated D-mark market and is a riposte to the increasingly successful efforts of foreign, mainly US, banks to win Swiss franc business from within Switzerland.

For some bankers operating within the country, the cuts in fees announced on January 15 presage a regrettable shift in the structure of the Swiss franc market towards the profit-squeezing disorder of the Euromarkets.

"We do not want to get into a Euromarket situation where underwriters give away all their fees to the secondary market," said one banker, who has been operating in a rival syndicate benefiting from the comfortable fee structure imposed by the big bank syndicate.

Cuts of between ⅛ and ¼ percentage points in underwriting commissions, adjustments to management fees and the replacement of the stock exchange listing fee by a SFr 250,000 ($122,000) expenses charge will reduce overall fees from 3¼ to 3 per cent on a SFr 100m bond with a 10-year maturity.

Mr Ulrich Grete, senior vice president of Union Bank of Switzerland (UBS), whose bank initiated the discussions with Swiss Bank Corporation and Credit Suisse that led to the cuts, says their main purpose is to keep the Swiss franc competitive with other currencies, in particular with the D-mark.

Over the last few months the differential between D-mark and Swiss franc interest rates has narrowed: 10-year good-quality paper now carries a rate of 5 per cent in Swiss francs and 6¾ per cent in D-marks. The gap is smaller than it used to be and "we have seen some regular Swiss franc issuers drifting into the D-mark," Mr Grete says.

Most, though not all of these, have been Japanese companies, for whose convertible and warrant-linked issues the D-mark market is becoming, another banker says, "the natural competitor. They get a better deal in Germany if they swap and, if the commissions are higher on the Swiss side, they prefer the D-mark."

The Swiss have an important market share to defend. A recent study calculates that of almost $430bn in international bonds raised by non-domestic issuers on foreign markets in the 1980-84 period, slightly more than 60 per cent was in US dollars but more than 15 per cent was done in Swiss francs against less than 8.5 per cent in D-marks.

Not all bankers in Switzerland agree that the D-mark has been closing the gap since the start of deregulation in Germany last May: some see it as still handicapped by its queue system and weak daily dealings and argue that the level of Swiss commissions has not yet become an impediment. But UBS ranks third to Deutsche Bank and Dresdner Bank in the D-mark issue market and may have the better feel for the situation.

Intensified competition from within Switzerland was a lesser motive for the big syndicate's fee-cutting, though it has stimulated most comment and controverys

At one time the syndicate controlled 80 per cent of the market: three years ago it still held 70 per cent. Last year, when total public bond issues climbed to around SFr 14bn from SFr 11.2bn in 1984, the big syndicate's share tumbled to an estimated 61 per cent.

The chief perpetrators of this *lèse-majesté* were the US banks with their swap-driven issues, most of them for US industrial names. Their activity reached a peak in October and November and has resumed again this month. Soditic, the leader of a rival syndicate, estimates that bonds involving swaps now make up between a quarter and a third of the new issues.

No banker will admit to undercutting the big syndicate on underwriting commissions but there has been juggling with listing fees and expenses and the smaller syndicates have been about ¼ per cent cheaper on front-end fees as a whole. Some syndicates, such as Soditics, have been smarter in handling dual currency, warrant-linked and other specially structured issues.

The crunch for the big banks, however, came with last year's flush of swaps, in which an issue in one currency is exchanged for an issue in another, allowing a foreign borrower to raise money in his own currency at below-market cost. Swaps focus attention on the overall cost of the issues, bunching pricing and front-end fees, and lead to very competitive pricing and pressure on coupons.

One result is that many swaps have started trading below their issue prices. A grey market has started to emerge in Switzerland and the big banks have run into difficulties in controlling the secondary market.

Rival bankers doubt that under present circumstances the big syndicate can recover market share, even, by cutting fees. They might look more closely at the second measure taken by the big banks—the internal re-organisation of their syndicate.

The compulsory quota system applied to syndicate members is being loosened, so that co-managers can, if they choose, take up only part of their quota in any given issue. Previously, when the big banks tried an aggressively priced issue, they found being off-loaded onto the secondary market by co-managers who could not place their full quotas.

The more flexible structure now in place "should mean that we will not have to pick up bonds from the market," Mr Grete explains. The three big banks, which together underwrite more than half of each issue, have the capacity to take up the slack, when other underwriters curb their commitments.

UBS admits to being caught napping by the surge in demand for swaps but claims to have developed the ability to handle such issues and to be making money from them now. US bankers think Credit Suisse First Boston must soon start using its strength in the swaps field.

The big Swiss banks have picked up the gauntlet. From now on the Swiss franc bond market promises to be a more aggressive arena where risks will be more finely judged. People will soon be asking what happened to traditional Swiss conservatism.

The Swiss Admissions Office, which is responsible for admitting securities to trading on the Swiss stock exchanges, has announced a change in its procedures, writes John Wicks in Zurich.

In future, applications will be subject to preliminary examination by an investigatory group drawn from the banks and including outside experts.

The Admissions Office will base its rulings on the work of this monitoring unit and on full documentation. This is seen as guaranteeing a "fair and rapid judgment."

Sweden's Peter Engstrom to join UBS (Securities)

BY OUR EUROMARKETS STAFF

MR PETER ENGSTROM, the high-profile head of international borrowing operations in Sweden's National Debt Office, is jumping the fence to become a banker. He will take up a position, expected to be as a deputy managing director, at Union Bank of Switzerland (Securities) in London in April.

Under Mr Engstrom's direction Sweden has become renowned not only as one of the biggest and best-regarded borrowers in the international capital markets, but also as one of the most innovative. Mr Engstrom has been able to obtain the finest terms from lenders both for credits and bond issues. Bankers have respected his willingness to consider new ideas.

His many successes include a $4bn facility under which Sweden was able to auction short-term money market notes at a yield below London interbank bid rate (Libid), showing that Sweden could borrow more cheaply than many of the banks lending to it. This facility, arranged as recently as summer 1984, is now being renegotiated to cut the borrowing costs even further.

In one case Mr Engstrom seemed to go too far. Sweden was the first borrower to mandate a large Euroyen credit in April 1985, but the loan was cancelled when Japanese banks refused to accept the fine terms Mr Engstrom demanded.

At UBS (Securities) Mr Engstrom will have overall responsibility for primary market activities and will participate in the firm's international capital market business development. It is expected that his salary will be many times the civil servant's pay he has been receiving.

Fine terms for Belgium on straight-forward credit

BY OUR EUROMARKETS STAFF

BELGIUM yesterday mandated Morgan Guaranty to arrange a $500m loan carrying the smallest interest spread over interbank rates yet seen for a sovereign borrower.

The credit is also unusual in that it is a straight-forward syndicated loan, expected to be fully drawn immediately and without a facility for issuing notes or other securities, as has become common for most syndicated credits in the Euromarkets.

The seven-year loan, which will replace maturing debt, will bear interest at $\frac{1}{16}$ percentage point above London interbank offered rates (Libor) for the first four years and ⅛ above Libor thereafter.

Banks putting up large amounts, probably $25m, will receive a 12½ basis points fee, while that for smaller contributions will be lower. The loan is multicurrency, and is expected to be drawn largely in Swiss francs and D-Marks.

Latin American loan plan from IADB

By Peter Montagnon, Euromarkets Correspondent

The Inter-American Development Bank wants to enlist the help of commercial banks in providing finance for some of its projects held up for lack of local resources in Latin America, Mr Antonio Ortiz Mena, its president said in London yesterday.

Use of commercial bank loans would help speed up the disbursement of some $10bn in loans committed by the IADB but not paid out because the borrower governments lack resources to cover their part of the cost, he said in an interview. It would be one way the bank could step up its lending under the so-called Baker initiative for easing the developing country debt problem.

Mr Oritz Mena said he believed commercial banks would be interested in providing such finance in specific countries, citing as an example the Gurri power station project in Venezuela, for which the IADB signed a $350m loan agreement last week.

For every dollar provided by commercial banks, the IADB could provide three of its own, he said.

Mr Ortiz Mena, in London for a debt symposium sponsored by the bank as part of its 25th anniversary celebration, said discussions are only just beginning on a capital increase for the bank which will back up an increase in its lending from 1987 to 1990.

Currency option for small tenders

BY ALEXANDER NICOLL

A SERVICE aimed at insuring British exporters against the currency risks involved in small tenders was launched yesterday by Hambros Bank, one of the originators of the currency options market.

The new product, called Export Tender Risk Avoidance (Extra), is the variation on the currency option, but is designed to reduce the user's costs and to increase flexibility.

Tenders are often cited as a typical situation calling for the use of currency options, since the exporter can use them to protect himself from exchange rate fluctuations

But Mr John Heywood, a Hambros director, said that in practice standard currency options were impractical and costly in such circumstances. "If you only get one order in five that you go for, you have to pay five option premia."

Hambros' scheme aims to cut money wasted on buying currency protection for tenders which turn out to be unsuccessful.

Using Extra, an exporter tendering in dollars for contracts of up to $2m buys insurance against a fall in the dollar below a specified sterling exchange rate and within a given period—up to a year. If the order is won, the exporter is insulated from a dollar fall in just the same way as if a standard currency option had been purchased. But if the contract is lost, Hambros refunds about half the fee.

The exporter cuts the cost of hedging unsuccessful tenders, but also misses out on the windfall profits which currency options can provide.

Hambros believes Extra will enable exporters to set more competitive tender prices and to increase their chances of winning orders.

DOMESTIC BOND MARKETS

Tokyo closes slightly firmer

THE YEN bond market closed slightly firmer as speculative buying outweighed heavy liquidation of long positions, accumulated on growing expectations that Japan's discount rate would be cut tomorrow.

Expectations that the Bank of Japan would announce a reduction had been fully discounted, dealers said.

The yield No 78 6.2 per cent 10-year government bond yield was at 5.510 in late Tokyo trading against 5.525. The No 68 6.8 per cent bond, the old benchmark, was sold heavily on bank and securities house attempts to lighten inventories.

Active trading in Frankfurt

IN FRANKFURT bond prices were as much as 20 pfennigs firmer, in moderately active bourse trading with the decline in the dollar and speculation about lower interest rates helping prices. Some isolated losses of up to 10 pfennigs clouded the generally optimistic market undertone.

Investors opened fresh positions and D-mark assets benefited from strain within the EMS, although this diminished somewhat as the dollar began to recover.

Amsterdam under pressure

DUTCH government bond prices were as much as 50 cents lower where changed in nervous trading. Leading issues came under selling pressure as investors showed concern over the economic outlook in the Netherlands.

Dealers said the downturn in the state bonds would have been steeper if the market had not been supported by hopes of a cut in interest rates by some leading nations.

Agencies

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on January 28

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅛ 92	100	103⅛	103⅝	+0⅛	+1	9.80
Amex Credit 10⅞ 90	100	105⅛	105⅝	+0⅛	+0⅛	9.27
Atlan. Richfield 10⅛ 00	250	100⅝	101⅛	+0⅛	+1⅛	10.12
Australia Com. 11 95	200	108⅝	108⅝	+0⅛	+1	9.51
Australia Com. 11⅛ 00	100	110	110½	+0½	+1	9.87
BP Capital 11½ 92	150	108⅛	108⅝	0	+0⅛	9.64
Campbell Soup 10⅝ 95	100	106⅞	107⅛	+0⅛	+0⅛	9.32
Canada 11½ 90	500	108⅛	108⅝	+0⅛	+0⅛	8.82
Canadian Pac. 10⅜ 93	100	104⅞	105⅜	+0⅛	+0⅛	9.72
Canadian Pac. 12⅞ 99	75	110⅞	111⅜	+0½	+0½	10.92
CEPME 10⅝ 91	100	103⅜	104⅛	+0⅛	+0⅞	9.17
Chevron USA 12⅛ 89	600	105⅞	106⅛	+0⅛	+0⅛	10.38
Citicorp 10 88	200	101⅛	101⅝	−0⅛	−0⅛	9.27
Citicorp 10⅝ 95	200	102⅛	102⅝	+0⅛	+0⅞	10.18
Coca Cola 11⅛ 91	100	106⅞	107⅜	+0½	0	10.04
Denmark Kgdm. 11⅛ 89	100	105½	106	+0⅛	+0⅛	9.10
Denmark Kgdm. 11½ 90	100	107⅛	107⅝	+0½	+1⅛	9.29
Denmark Kgdm. 11½ 92	100	108½	109	+0⅛	+1⅛	9.54
EDF 10 95	225	101⅞	102⅜	+0½	+1⅛	9.63
EEC 9⅝ 90	350	101⅝	102⅛	+0⅛	+0⅛	9.04
EEC 11⅛ 90	100	106⅝	107⅛	+0⅛	+0⅛	8.99
EIB 12 95	200	113½	114	+0½	+1⅛	9.66
Eli Lilly 10⅛ 92	150	105⅝	106⅛	+0⅛	+0½	9.02
Export Dev. Cpn. 10 90	100	103⅜	103⅞	+0⅛	+0⅛	8.93
Export Dev. Cpn. 12 89	100	109⅜	109⅞	+0⅛	+0⅛	8.84
Fed. Dep. Strs. 10⅝ 95	100	102⅞	103⅜	+0⅛	+0⅞	9.60
Ford Motor Crd. 10⅛ 91	150	103⅜	103⅞	+0⅛	+1⅛	9.65
Ford Motor Crd. 11⅛ 90	100	105⅝	106⅛	+0⅛	+0⅛	9.51
Ford Motor Crd. 12 95	100	108⅞	109⅜	+0⅛	+1⅛	10.40
Gen. El. Cred. 10⅛ 00	200	103⅛	103⅝	+0⅛	+0⅛	9.77
GMAC 10⅛ 89	200	103⅜	103⅞	+0⅛	+0½	8.85
GMAC 10⅛ 92	250	103	103½	+0⅛	+1	9.57
IADB 9⅞ 95	200	101⅛	101⅞	+0⅛	+1	9.60
IADB 10½ 95	150	105⅛	105⅝	+0⅛	+0⅞	9.59
Kellogg Co. 10⅞ 90	100	104⅛	105⅛	+0⅛	+0⅛	9.30
Kellogg Co. 11⅛ 92	100	107⅛	107⅝	+0½	+2⅛	9.56
LTCB 12⅞ 91	100	114½	115	+0⅛	+1⅛	9.42
Mitsui Trust 11⅜ 90	100	†106½	107	+0½	+0⅛	9.64
Nippon Cr. Bk. 10⅛ 95	150	105½	106	+0½	+1⅛	9.68
Pillsbury Co. 10⅛ 93	100	102⅛	102⅝	+0½	+1⅛	9.77
Proct. & G. 'A' 9⅞ 92	150	101⅞	102⅛	+0½	+1⅛	9.44
Pru Realty S. 12⅛ 95	548	110⅞	111⅜	+0⅛	+0⅞	10.17
Qantas Airways 10⅛ 95	140	105⅛	105⅝	+0½	+1⅛	9.46
Quebec Hydro 11½ 92	100	108⅛	109	+0⅛	+0⅞	9.68
Queensld. Gvt. 10⅛ 95	100	103⅝	104⅛	+0⅛	+1	9.57
Ralston Purina 11⅛ 95	150	109	109½	+0⅛	+0⅞	10.15
Ralston Purina 12⅛ 89	100	110	110½	+0⅛	+0⅞	9.32
Saskatchewan 10⅛ 92	100	106⅛	106⅝	+0½	+1	9.33
Saskatchewan 11⅞ 89	100	108⅛	108⅝	+0½	+1	8.97
Statoil 10 90	170	103	103½	+0½	+0⅛	9.07
S. Wales Trsy. 11⅛ 90	150	108	108½	+0⅛	+0⅞	9.28
Swed. Exp. Cred. 10 92	100	102⅞	103⅜	+0⅛	+1⅛	9.30
Sw. Ex. Cr. 12⅛ 89 XW	100	108⅝	109⅛	+0⅛	+0⅛	9.67
Sweden Kgdm. 10⅞ 90	200	106⅛	106⅝	+0⅛	+1⅛	9.00
Sweden Kgdm. 11½ 89	200	107½	108	+0⅛	+0⅞	9.01
Sweden Kgdm. 11⅛ 94	100	110⅛	110⅝	+0½	+1⅛	9.81
Tenneco Cpn. 10⅛ 95	150	104⅛	104⅝	+0⅛	+0⅛	9.89
Utd. Tech. Fin. 10⅛ 95	100	103⅜	104⅛	+0½	+1⅛	9.94
Victorian Rep. 11⅛ 92	150	108⅛	108⅝	+0½	+1	9.56
World Bank 10⅛ 96	300	104⅛	104⅝	+0½	+1⅛	9.38
World Bank 12⅞ 94	200	117⅞	118⅜	+0½	+0⅞	9.70

Average price changes... On day +0⅛ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	106½	107⅛	+0⅛	−0⅛	6.93
Austria Republic 7⅝ 94	200	105⅛	106⅛	+0⅛	+0⅛	6.64
Baxter Travenol 7⅝ 94	200	102⅛	102⅞	+0⅛	+0⅛	6.83
Copenhagen 7⅝ 95	150	101⅝	102½	+0⅛	+0⅛	7.05
Credit National 8⅝ 94	200	107⅛	107⅞	0	−0⅛	6.88
Dow Chemical 6⅝ 95	300	†101⅛	102	0	+0⅛	6.51
EIB 7⅛ 94	300	103⅛	104⅛	0	−0⅛	6.63
ESCOM 6 92	150	93⅞	94⅝	0	−0½	9.25
Ex.Im. Bk. Korea 7⅝ 90	100	100⅝	101⅛	+0⅛	+0⅛	7.37
Ferrovie Dello St. 8 91	100	104⅝	105	+0⅛	−0⅛	6.90
Finland Republic 7 92	200	102½	103⅛	−0⅛	−0⅛	6.40
Gould Int. Fin. 7⅝ 91	100	104⅛	105½	−0⅛	−0⅛	6.45
Ireland 8⅞ 92	150	105⅛	106	+0⅛	+0⅛	6.98
Japan Fin. Con. 7⅝ 91	100	104⅛	105	−0⅛	−0⅛	6.57
Mtsbshi. H. 3⅞ 89 WW	300	161⅛	162½	−0⅞	+2⅛	−11.56
Mtsbshi. H. 3⅞ 89 XW	300	92⅝	93⅝	−0⅛	+0⅛	5.99
Mtsbshi. M. 3⅝ 89 WW	100	105½	106½	0	−1⅛	1.53
Mtsbshi. M. 3⅝ 89 XW	100	91⅛	92⅛	−0⅛	−0⅛	5.57
Quebec-Hydro 7⅛ 95	200	104⅛	105	+0⅛	+0⅛	6.45
Rente 7⅝ 95	100	104⅞	105⅛	+0⅛	+0⅛	6.97
Soc. C. Nuclear 7⅝ 95	150	101⅛	101⅞	+0½	+0⅛	7.02
Soc. C. Nuclear 8 91	100	105⅛	105⅞	0	−0⅛	6.74
S. Africa Tran. 7⅝ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day 0 on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Con. 5⅝ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Br. Land Comp. 6⅛ 90	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Europe 6 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Creditanstalt 5⅝ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutsche Bk. 5¼ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 5⅞ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Occidental 6⅝ 94	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glendale F. S&L 6⅝ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. F. Finland 5⅝ 94	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int. Am. Dv. Bk. 5⅝ 94	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N. Zealand Steel 5⅝ 96	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oberos Kfew. 5⅝ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Olivetti Intl. 5⅝ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepsico 5⅛ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina 5⅝ 94	125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Santos Finance 6 94	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Elec. Pr. 5⅛ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Metropolis 5⅛ 94	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 5⅝ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Caisse Nat. Tel. 6⅝ 92	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Goodyear T. & R. 7⅝ 95	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Bk. Denmark 7 92	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Brunswick 7⅝ 95	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Exp. Cred. 0 90	14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Au. 12⅝ 90 A$	50	92⅛	93⅛	+0⅛	+0⅛	14.84
Creditanstalt 12⅝ 90 A$	50	88	89	−0⅛	+1⅛	13.27
Pepsico C. R. 13 90 A$	50	99⅝	100⅛	−0⅛	−1⅛	12.92
Swed. Ex. Cr. 13 88 A$	40	97⅝	98⅛	+0⅛	−0⅛	13.74
Amax 10⅛ 90 C$	60	103⅞	104⅛	+0⅛	+1⅞	9.53
Canad. Pac. 10⅛ 90 C$	75	101⅞	102⅜	+0⅞	+3	9.76
CIBC 10⅛ 90 C$	75	†99⅝	100½	+0⅛	+1	10.75
Genstar Fin. 11⅛ 95 C$	75	101⅞	102⅜	−0⅛	−0½	11.34
Montreal 11½ 95 C$	75	102⅛	103⅛	+0⅛	−3	10.94
Ryl. Trustco 10⅛ 90 C$	75	98⅛	98⅝	+0⅛	+0⅞	10.77
Sears Acc. 10⅛ 92 C$	75	†100⅛	100⅝	+0⅛	+0⅞	10.49
Chrysler F. C. 17 90 NS	65	94⅛	95⅛	−0⅛	−0⅞	18.46
KOP 16⅝ 91 NS	50	94⅛	95⅛	+0⅛	−0⅛	17.65
Kredtbk. Lux. 17 88 NS	70	99	100	0	−0½	17.10
Bayer Vrns. 8⅛ 88 Ecu	60	100⅞	101⅜	−0⅛	+0⅛	7.84
Chrysler F. C. 9 92 Ecu	75	97½	97⅞	0	+0⅛	9.50
Xerox Can. 8½ 90 Ecu	40	98½	99⅛	0	+0⅛	8.78
Honda WW 3⅞ 90 Fl	100	104⅛	105⅛	0	+0⅛	2.58
Honda XW 3⅞ 90 Fl	100	90⅛	91	−0⅛	+0⅛	6.53
Thyssen 7⅛ 90 Fl	50	102⅛	103⅛	−0⅛	−0½	6.48
Wereldhave 7½ 90 Fl	75	102⅛	102⅞	−0⅛	−0⅞	6.79
Wessanen 6⅝ 90 Fl	50	100⅝	101⅛	−0⅛	−0⅛	6.51
Mobil Cpn. 11⅛ 90 FFr	500	104	104½	0	−0⅛	9.91
Amev 11 93 £	50	94⅛	94⅞	+0⅛	−0⅛	12.20
Australia Com. 11 92 £	40	95⅞	96⅛	+0⅛	+0⅛	11.96
EIB 11⅛ 93 £	50	96⅞	97⅛	+0½	+0⅞	11.71
GMAC UK F. 10½ 90 £	30	96	96½	+0½	+0⅛	11.58
Imp. Ch. Ind. 11⅛ 95 £	75	96	96½	+0⅛	0	11.89
Imp. Ch. Ind. 10⅛ 92 £	75	93⅛	94⅛	+0⅛	+0⅞	12.14
McDonalds 10⅞ 90 £	40	96⅛	96⅞	+0⅛	+0⅛	11.91
Mtsbshi. F. HK 11 90 £	50	96⅛	96⅝	+0⅛	+0⅛	12.06
NSW Treasy. 10⅛ 92 £	50	93⅝	94⅛	+0⅛	+0⅛	11.97
Rank Xerox 11 92 £	40	95⅛	95⅝	+0⅛	+0⅛	12.06
Royal Ind. 10⅛ 92 £	60	93⅛	94⅛	+0⅛	−0½	12.08
J. Sainsbury 10⅞ 93 £	60	94⅛	94⅝	+0½	+0⅛	12.07
Tricentrol XW 11 92 £	35	89⅛	90⅛	−0⅛	−0½	13.41
Tsthse. Forte 11⅛ 90 £	50	96½	97	+0⅛	+0½	12.12
World Bank 11⅛ 96 £	100	97½	98	+0⅛	+0⅛	11.63
COE 8⅞ 95 LFr	600	98⅞	99⅛	0	+0⅞	8.98
N. Lux. Al. 10⅛ 92 LFr	600	103⅛	104⅛	0	−0⅛	9.66

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Abbey Nationl. 5 2000 £	0⅛	99.16	99.21	15/1	11⅛
B'kamerica O/S 5⅛ 96	0⅛	99.25	99.35	30/3	8⅛
Bankers Trust 5 2000	0⅛	99.63	99.73	11/3	8.31
BFCE 5⅛ 99	0⅛	100.09	100.19	13/3	8⅛
BNP 5⅛ 95	0.05	101.28	101.38	10/1	8.69
BNP 5⅛ 99	0⅛	100.17	100.27	22/3	8⅛
Britannia 5 93 £	0⅛	99.47	99.54	8/4	11½
CCF 5⅛ 97	0	99.54	99.64	5/4	8.06
Chase Man'tn 5⅛ 2009	0⅛	100.02	100.12	5/3	8.31
Citicorp 5 2035	0.225	98.80	98.90	27/1	8.23
Credit Lyonnais 5⅛ 98	0⅛	100.72	100.82	11/4	8½
Credit Lyonnais 5 2000	0⅛	100.17	100.27	10/1	7.94
EEC 5 90	0⅛	99.78	99.88	9/7	8.06
ENEL 5 2000	0⅛	99.99	100.09	1/3	8⅛
Ireland 5⅛ 97	0⅛	100.00	100.10	28/2	8.44
Lloyds Bank Perp	0⅛	100.24	100.34	9/6	8½
Man. Hanover 5 97	[illegible]	99.87	99.97	22/2	8.19
Midland Bk. Perp. 5	0⅛	100.18	100.28	19/6	8⅛
NatWest Perp. A	[illegible]	100.20	100.30	9/7	8.31
NatWest Perp. B	[illegible]	100.20	100.30	10/2	8⅛
R. Bk. Scotland 5 Perp	0⅛	100.11	100.21	11/6	8.44
R. Bk. Scot. 5⅛ 2005 £	0⅛	99.05	99.15	4/2	11⅞
Societe Generale 5⅛ 97	0⅛	100.17	100.27	18/3	8⅛
United Kingdom 5 92	0	99.99	100.06	7/7	8.06
Woolwich 5 95 £	0⅛	99.33	99.40	19/2	11.89

Average price changes... On day +0.01 on wk −0.03

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1052	137⅛	138⅛	−1	7.47
Comcast 7 2000	12/85	23.87	†115	116	+1½	23.22
Fanuc 3⅛ 98	1/84	7032	203⅞	205⅛	+0⅛	64.89
Fuji Hvy. Inds. 3 2000	8/85	676	94⅛	95⅛	−2⅛	−1.88
Fujitsu 3 99	5/84	1320	108⅞	109⅞	+2⅛	18.18
Kumagai Gumi 3½ 2000	3/85	800	188⅛	189⅛	+0⅛	13.71
Marui 3½ 99	7/84	1162	169½	170⅞	−0½	−0.73
Mitsubishi Bank 2⅞ 00	8/85	1766	101⅞	102⅞	+0⅛	−1.60
Mitsubishi Elec. 2⅞ 00	3/85	422	106⅛	107⅞	+1⅛	−0.28
Murata 3½ 2000	7/84	2398	145⅛	146⅛	+4⅛	24.78
Nippon Elec. 2⅞ 2000	1/85	1285	130⅞	132	+0⅛	55.99
Nippon Oil Co. 3 2000	5/85	928	112	113	−0⅛	−1.34
OKI Elec. Ind. 3½ 99	10/84	905	112⅛	113⅞	+4⅞	3.72
Sekisui House 3 99	6/84	612	159⅞	160½	+0⅛	1.14
Sumitomo Bk. 2⅛ 2000	8/85	2142	97	98⅛	+0⅛	5.39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taiyo Yuden 3 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Takeda Rkn. 3¾ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo S'yo El. 3⅛ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toshiba Cnscs. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Shinpan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asics 5 92 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] 4 92 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumo Realty 6½ 92 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

Vodafone start-up costs hit Racal profits

Racal Electronics reported interim profits halved compared to last year, £23.18m against £47.18m, and at the bottom of the range of analysts' expectations.

Sir Ernest Harrison, chairman, said total profits in the second half would be much better than the first. The full year figures would, however, be "substantially lower" than in 1984-85, the first reduction in 31 years, but results for 1986-87 should be very satisfactory.

The shares fell from 170p to 166p immediately after the figures but then rallied, to close at 180p, up 10p, on consideration of the optimistic forecast and ahead of an analysts' meeting yesterday afternoon. There was one large buyer in the market.

The company blamed the poor interim figures to October 11 on recession in the data communications industry and losses on the accelerated start-up of its cellular radio service.

The trading profit contribution from the Data Communications group fell by some £26m. Racal said it would produce only a very modest contribution in the second half, with trading profits expected to be down by an additional £19m. That would make a total shortfall of £45m, compared to 1984-85.

The first half net loss of cellular radio increased by £5m, with a trading loss of £7.5m (£5.1m) and interest of £2.7m (£287,000).

Racal said that cellular radio losses for the year, including interest, would total almost £19m, a rise of more than £7m compared to the previous year. Of that, £2m would be for development and production start-up costs of the Racal — manufactured equipment.

Turnover was up from £449m to £512m in the first six months. Excluding cellular radio, trading profits totalled £41.49m (£53m) and interest charges were £8m (£434,000). Attributable profits totalled £15.5m (£27.7m). The interim dividend is unchanged at 0.76p.

Racal said 1986-87 profits would benefit from increased activity in the computer industry, reflected in Data Communications' order book, and by rationalisation and reduction of the cost base at Data Communications.

The Racal-Vodafone cellular radio service would reach break-even at trading level during the last quarter of the current financial year. It was expected there would be a trading profit next year of £5m and this would lead to an overall improvement in the cellular radio results of about £13m.

Other benefits in 1986-87 would flow from growth in the majority of remaining businesses and a continued improvement in the performance of Racal Chubb, where problem areas were being tackled and margins raised. The profit contribution should be of the order of £20m. In the first six months of this year it was over £7m (after loan stock interest payment).

Later, the analysts meeting was told that Data Communications' California - based subsidiary Vadic would achieve sales this year of only $56m, against $77m last. But this was expected to improve to $85m next year and $100m thereafter, with margins of more than 10 per cent, compared to 20 per cent plus in its heyday.

Racal-Milgo, another US subsidiary, which yesterday announced a $13m order from Nippon Telegraph, was expected to have sales this year of only $235m, against a budget of $326m, rising to $288m next. It was expected to break even this year, but could go on to achieve margins of more than 10 per cent.

See Lex

Devenish in £35m Inn Leisure merger

By Lisa Wood

J. A. DEVENISH, the West Country brewer, and Inn Leisure, a fast-growing operator of pubs and wine bars, yesterday announced the terms of an agreed merger. Shareholders with a 65.7 per cent stake in Inn Leisure have irrevocably undertaken to accept a £34.5m offer from Devenish.

The deal will bring into Devenish the retailing experience of Inn Leisure at a time when the brewer is trying to reduce its dependence on the tourist trade and beer sales.

The merger will give Inn Leisure, a USM-quoted company with more than 40 units in the West Country, London and the Midlands, a much stronger asset base upon which to expand.

The consideration is 20 new ordinary shares in Devenish and 43 4.5 per cent new convertible second preference shares for every 150 sha in Inn Leisure.

also being made. Inn Leisure shareholders may opt for cash in respect of all or part of their new Devenish ordinary shares and convertible preference shares. The exact amount of cash per Inn Leisure share will depend on how many shareholders opt for cash, but it will be in the range of 111.8p and 115p per Inn Leisure share.

Whitbread Investment Trust, the investment arm of Whitbread, Britain's fourth largest brewer, holds a 26.3 per cent stake in Devenish and the merger, according to Barings, the merchant bank acting on behalf of Devenish, has WIT's full support.

WIT will subscribe up to £3.09m as a preferred sub-underwriter in the cash offer so as to hold between 15.4 and 20 per cent of Devenish's enlarged share capital on full acceptance of the offer (before conversion of any convertible preference shares). WIT's exact shareholding after the offer will depend on the level of elections for the cash offer.

Devenish, with 350 public houses, is heavily dependent on the tourist trade and beer sales. Last summer's poor weather depressed pre-tax profits for the year to September 27, 1985, to £1.57m (£2.06m).

When dealings in the shares of both companies were suspended on Monday, those Devenish stood at 645p and Inn Leisure's at 113p. Yesterday Devenish closed at 770p, up 125p, while Inn Leisure closed 18p up at 131p.

Mercantile House profits advance by 19% midway

Mercantile House Holdings reversed its recent profits fall with an increase in pre-tax profits of 19 per cent on turnover up by 25 per cent in the six months to the end of October 1985.

The markets, however, greeted the announcement with an immediate 5p fall in the share price to 289p, falling later to the close at 300p.

Turnover for the international financial services group improved from £298.46m to £375.71m. Pre-tax profit was up from £27.51m to £32.67m.

An increased interim payment of 4.25p has been declared, compared with 4p last time. Earnings per share were 21.23p (19.01p), undiluted, and 19.93p (17.92p), fully diluted. Last year there was a total payment of 13p from pre-tax profits of £52.16m.

The results were not affected by the recent sale of 82 per cent of the securities operations of Oppenheimer, the US investment group to an investment group formed by the Oppenheimer management.

They do benefit, however, from a full contribution from Alexanders Discount and the 29.9 per cent holding in Laing & Cruickshank, compared with a partial contribution last time although Alexanders experienced poor trading conditions.

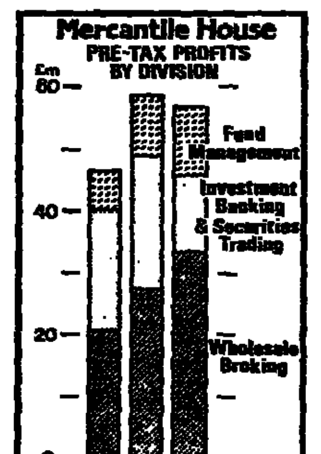
Mr John Barkshire, chairman, says the board considers the results to be very satisfactory. He adds that they do not expect the second half to produce the same level of profit as the first, but the full year should still show an improvement on last year's total.

During the period under review the wholesale broking and fund management divisions both produced higher profits with fund management continuing its recovery of performance and sales.

In investment banking the US operations, which included Oppenheimer, contributed profits which were sharply higher. The UK results, affected by Alexanders, were, however, disappointing. Mr Barkshire says that a return to higher profits depends on a fall in UK interest rates.

The tax charge was £15.21m (£12.1m) leaving profits for the period at £17.46m (£15.4m). With preference dividends taking an unchanged £770,000 and the interim payment absorbing £3.34m (£3.15m) the retained profit came out at £13.35m, compared with £11.49m for the same period last year.

See Lex



Throgmorton USM Trust in £14m offer

BY RICHARD TOMKINS

The Throgmorton USM Trust, the investment trust formed to specialise in the Unlisted Securities Market under the management of Throgmorton Investment Management Services, today publishes the prospectus for its offer for sale.

The prospectus defines the trust's main objective as being long-term capital growth through investment in USM companies with above-average growth prospects.

At least 75 per cent of gross assets will be invested in USM companies, but graduates to the main market may be kept in the portfolio. The rest of the assets will be invested in unquoted stocks or those dealt in on the over-the-counter markets.

Throgmorton says that unquoted securities will only be admitted to the portfolio if there is a reasonable chance of a listing or other dealing facility in the near future.

Investments will not be made in start-up companies or venture capital opportunities and there will be no investments in overseas companies unless they are dealt in on the USM.

Nearly 11.5m ordinary shares of 50p each are being issued at 100p a share and 2.8m 5½ per cent cumulative partly-convertible redeemable preference shares of £1 each are being issued at par.

Another 4.6m ordinary shares and 1.2m preference shares will go to The Throgmorton Trust, also managed by TIMS, in exchange for most of its USM portfolio. This will give The Throgmorton Trust a 29.5 per cent stake in the company.

Warrants are attached to the ordinary shares on a one-for-six basis and to the preference shares on a one-for-twelve basis. The trust will be wound up in seven years.

● comment

The creation of an investment trust is something of a novelty in a sector now more accustomed to unitisations, conversions and takeovers: there are generally thought to be too many investment trusts rather than too few. Yet the Throgmorton USM Trust does fill a gap. Its only rival is the First Charlotte Assets Trust managed by Ivory & Sime, which is much smaller and has a lower proportion of its assets in the USM. First Charlotte has not been a bright performer since its formation in May 1981, partly because of its exposure to the then immature market. The USM is now much bigger and more broadly based, and its p/e ratios are looking more attractive. It remains a volatile market which has yet to see a bear phase, so the risks which go with its potential rewards are high. It does, however, have many enthusiasts, some of whom have been stymied in their attempts to partake either by unavailability of research or shortage of stock. For them, the combination of Throgmorton's sound record in small company investment combined with the perks to keep the discount narrow make this an attractive vehicle.

London Shop calls for £19m

By Michael Cassell

London Shop Property Trust, which yesterday reported a modest improvement in interim profits, is raising £18.56m through a rights issue of convertible loan stock.

The investment and development company, which holds 77 per cent of its investments in retail property, says it intends to use the funds to finance its continuing expansion.

Mr J. Hugh Jones, chairman, said that London Shop continued to locate good standing investments around the country and it was also refurbishing some of its existing properties. The company was pursuing several development projects, including the demolition and rebuilding of its 14,000 sq ft office building in Wilson Street, City of London.

Mr Hugh Jones added: "Last year, we sold about £18m of property and spent another £20m on acquiring new investments, which showed us an overall return of 8.5 per cent on total purchase costs."

The company says the net proceeds from these four issues, together with funds generated from property sales, have been invested in the acquisition and development of properties. The latest issue will enable the company to continue its investment programme with only "a modest initial income shortfall on the investment of the proceeds, yet with scope for growth in both income and capital."

Shareholders are being offered £3 of 9.25 per cent convertible loan stock for every 10 ordinary shares. The conversion rate for the new convertible stock is equivalent to 169.5p per ordinary share, compared with net assets per share at April 30 1985 of 177.5p.

Th amount being raised is equal to approximately 18 per cent of the combined market capitalisation of the ordinary shares and existing convertible stocks.

Pre-tax profits in the half-year ended October 31 1985 reached £3.49m (£3.19m), with net property revenue up from £4.68m to £5.65m on the back of reviews, lease renewals and income from new acquisitions.

There is an interim dividend payment of 1.45p (1.35p) and the board says it expects to recommend at least this percentage increase on the final dividend.

Yearlings down ⅜%

The interest rate for this week's issue of local authority bonds is 12⅛ per cent, down ⅜ of a percentage point from last week, and compares with 12½ per cent a year ago. The bonds are issued at par and are redeemable on February 4 1987.

Exchange gain lifts Finlan

UNREALISED EXCHANGE rate gains of £220,000 enabled Finlan Group, formerly John Finlan, to report trebled pre-tax profits for the six months to September 30 1985.

Excluding the £220,000 leaves Finlan, a developer, designer and constructor of industrial buildings, with pre-tax profits of £15,000 on turnover of £4.85m against £81,000 on turnover of £4.72m for the half year to June 30 1984. The year end has been changed from December 31 to March 31 and the comparative figures have been adjusted to take account of the acquisition of Skybridge Holdings.

The interim dividend is held at 1.8p. Net earnings per share are 1.83p, against 0.53p in the previous period.

Kellock capital reduction

Pre-tax profit of Kellock Trust, the recourse factoring group, rose by £46,000 to £172,000 for the year 1985 from turnover ahead 34.6 per cent to £4.59m.

The company forecast that profits would not show a substantial gain as it was spending heavily on experienced staff and new computer equipment. The group is engaged in the recourse factoring of book debts, and financial services through leasing facilities and investment.

During the year the company purchased a total of 225,000 of its variable rate convertible preference shares for cancellation, and now proposes a capital reduction to effect the acquisition of 1.64m preference shares with a nominal value of £82,000 from its subsidiary, Hivegate. This will require the approval of ordinary holders and sanction of the Court.

The preference shares purchased during the year cost £70,689. Total nominal value of these was £11,250 and the balance of £59,439 is a distribution out of profit for the yer.

Camford higher

Camford Engineering has almost doubled pre-tax profits from £1.06m to £1.91m for the year to September 30 1985 despite being hit by strikes at its customers early in the year. The company is proposing a dividend of 1.75p (1.05p) and earnings per share are 8.45p (5.33p).

Turnover rose from £40.69m to £51.33m and tax was £309,000 (£76,000). There was an extraordinary credit of £547,000

F. Cooper's share disposal

Mr Frederick Cooper, chairman of Frederick Cooper (Holdings), Wolverhampton-based steel processor and components manufacturer, is negotiating the possible sale of part of his 21.2 per cent stake in the company.

Cooper disclosed yesterday that talks were under way following a 14p rise in its share price over the past two days to 40p yesterday, a new 1985-86 high. At this price the company has a market valuation of £3.13m.

The negotiations may lead to the purchaser of Mr Cooper's shares taking an involvement in the future management of the company.

Cooper's pre-tax profits halved in the year ended June 1985, falling to £223,000 against £453,000 the year before.

S. Africa buyer for Providence Capitol Life

The Old Mutual, South Africa's largest life company, has acquired the UK life company Providence Capitol Life Assurance Company from the Providence Capitol Corporation, based in New York.

No details of the price paid are available but it is believed to be in the £30m-£50m range.

Providence Capitol was formed in 1968 as Slater Walker Insurance, the insurance arm of the Slater Walker operations. Since then it has had a succession of owners and changed its name twice. It operates in the unit-linked market, with a unit trust operation, having total assets of £150m and a premium income of £50m.

Mr Mike Levet, managing director of the £4bn Old Mutual, said that the acquisition would give his company the opportunity to develop a significant presence in the UK life assurance market and give it direct access to innovative developments in UK financial services.

UNIGROUP received acceptances totalling 2,845,598 shares (97.21 per cent) regarding its recent rights issue. The balance was sold in the market.

Shandwick acquiring Publicity Plus

Shandwick, the public relations group which joined the Unlisted Securities Market last October, yesterday announced the acquisition of Publicity Plus, a public relations, design and print group with offices in London and Norwich.

The consideration consists of £230,000 in cash and 285,000 Shandwick shares. With Shandwick unchanged at 175p yesterday, the total cost is £728,750.

Publicity Plus reported profits of £114,000 before tax and exceptional items on operating income of £557,000 in the year to last December. Its client list includes Amsterdam Airport, Holsten lager, KLM Royal Dutch Airlines and Marriott Hotels.

Tootal stake

J. Rothschild Holdings, the investment company run by Mr Jacob Rothschild, has reduced its stake in Tootal, the textile group, from 7.5 to 4.97 per cent.

Rothschild announced yesterday it had sold 4.75m shares, retaining 8.8m. Last month Rothschild reduced its holding in Tootal from 9.1 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Allsa Inv ...int	0.6	March 14	0.6	—	1.5
Camford Engineering ...	1.75	—	1.05	1.75	1.05
Cowan de Groot ...int	1.25	April 1	1	—	2
Cray Electronics ...int	0.36†	April 7	0.74	—	2.27
Ensign Trust ...int	0.4	May 23	—	—	—
Finlan Group ...int	1.8	April 6	1.8§	—	3.6§
Group Investors ...int	1.3		1.2	—	4.2
G. T. Japan ...int	0.4	March 17	0.4	—	1.4
Heavitree Brewery‡ ...	6.6	March 26	5.85	8.25	7.5
Kellock Trust ...	0.75	April 5	0.6	0.75	0.6
Leda Inv ...	4.2		3.5	6.65	5.5
London Shop Prop ...int	1.45	April 30	1.35	—	4.95
Meat Trade ...int	1.75	March 27	1.75	—	5.25
Mercantile House ...int	4.25	March 12	4	—	13
Racal Elect ...int	0.77	March 10	0.77	—	3.22
Joseph Webb ...int	0.13	April 11	0.13	—	0.51

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 15 months.
Dividends shown pence per share except where otherwise stated.

BASE LENDING RATES

ABN Bank	12½%	■ Hambros Bank	12½%
Allied Dunbar & Co.	12½%	Heritable & Gen. Trust	12½%
Allied Irish Bank	12½%	■ Hill Samuel	§12½%
American Express Bk.	12½%	C. Hoare & Co.	†12½%
Amro Bank	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Associates Cap. Corp.	12½%	Knowsley & Co. Ltd.	13%
Banco de Bilbao	12½%	Lloyds Bank	12½%
Bank Hapoalim	12½%	Edward Manson & Co.	13½%
Bank Leumi (UK)	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	PK Finans. Intl. (UK)	13½%
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13%
Cedar Holdings	12½%	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Citibank NA	12½%	Standard Chartered	12½%
Citibank Savings	¶12½%	TCB	12½%
City Merchants Bank	12½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	13%	United Mizrahi Bank	12½%
Comm. Bk. N. East	12½%	Westpac Banking Corp.	12½%
Consolidated Credits	12½%	Whiteaway Laidlaw	13%
Continental Trust Ltd.	12½%	Yorkshire Bank	12½%
Co-operative Bank	*12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13%		
Exeter Trust Ltd.	13%		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	13½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	12½%		
Grindlays Bank	12½%		
■ Guinness Mahon	12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.70%. 1-month 9.00%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 9% gross.
‡ Mortgage base rate.
§ Demand dep. 9¼%. Mortgage 13%.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord.	120	—	7.3	6.1	7.4	6.9
151	121	Ass. Brit. Ind. CULS	125	—	10.0	8.0	—	—
75	43	Airsprung Group	70xd	—	6.4	9.1	11.7	15.2
46	33	Armitage and Rhodes	36	+1	4.3	11.9	4.4	5.4
168	108	Bardon Hill	168	+1	4.0	2.4	21.0	21.8
64	42	Bray Technologies	56	—	3.9	7.0	6.8	7.9
201	136	CCL Ordinary	136	—	12.0	8.8	3.3	3.2
152	97	CCL 11pc Conv. Pf.	97	—	15.7	16.2	—	—
130	80	Carborundum Ord.	116	—	4.9	4.2	5.7	9.0
94	83	Carborundum 7.5pc Pf.	91	—	10.7	11.8	—	—
65	46	Deborah Services	57	—	7.0	12.3	5.9	7.8
32	20	Frederick Parker Group	21	—	—	—	—	—
92	50	George Blair	52	+1	—	—	3.8	6.8
62	20	Ind. Precision Castings	60	—	3.0	4.9	16.0	13.5
218	169	Isis Group	165	−2	15.0	9.0	12.8	19.0
122	101	Jackson Group	119	—	5.5	4.6	8.0	8.0
310	228	James Burrough	310	—	15.0	4.8	9.8	9.8
96	86	James Burrough 9pcPf.	95	—	12.9	13.6	—	—
95	70	John Howard and Co.	70	—	5.0	7.1	5.6	8.8
225	141	Linguaphone Ord.	180s	—	—	—	8.6	6.9
98	90	Linguaphone 10.5pc Pf.	90s	—	15.0	16.7	—	—
870	670	Minihouse Holding NV	670	—	6.9	0.8	38.0	36.1
82	32	Robert Jenkins	70	—	—	—	9.2	20.0
34	28	Scruttons "A"	30	—	—	—	—	7.7
87	67	Torday and Carlisle	68	—	5.0	7.4	3.4	6.2
370	320	Trevian Holdings	325	—	4.3	1.3	18.6	18.2
42	25	Unilock Holdings	40	—	2.1	5.3	10.9	10.8
133	93	Walter Alexander	132	—	6.6	6.5	7.5	9.1
226	195	W. S. Yeates	200	—	17.4	8.7	5.7	9.8

s = Suspended.

Company Notices

Flights

UK COMPANY NEWS

Panel hearing today for Argyll appeal

THE ATTEMPT by the Argyll supermarkets group to block the unusual payment arrangements in the underwriting of the Guinness bid for Distillers will today be considered by the full Take-Over Panel.

Argyll, which had its £1.9bn bid for Distillers leapfrogged by Guinness's £2.2bn agreed bid, is alleging that Distillers' agreement to shoulder its latest bidder's underwriting costs of at least £14m is an unwelcome introduction of US-style poison pill tactics.

However, the initial indications from the Take-Over Panel executive, which considered the question on Monday, were that it was not a matter which it felt it should take action against.

The Argyll camp will be pinning its hopes on the full panel reversing the executive's guidance as happened recently in Scottish and Newcastle's hotly contested bid for fellow brewer Matthew Brown.

Scottish and Newcastle had been continuing to receive acceptances for its offer until 5 pm on the final day of the offer having earlier consulted the executive. The full panel decided it should have stopped before 5 pm.

Argyll has also been consulting lawyers over the unusual underwriting agreement but it seems unlikely to muster much legal opposition. Distillers and Guinness say they consulted lawyers before completing the arrangements.

Porter Chadburn expands

Porter Chadburn, the manufacturer of food and drink equipment which is now part of G. M. Firth, is to pay up to £3.4m for Continental Pressing Technic (CPT), a private company which supplies finishing equipment to the garment industry.

It will pay £2m in cash on completion with up to a further £1.4m becoming payable over the next three years, depending on CPT reaching specified profit targets.

Porter will finance most of the deal through a £1.75m rights issue of 2.03m convertible preference shares with a further £250,000 coming from unused bank facilities.

CPT imports and distributes equipment for the UK garment industry. Its principal suppliers are two West German companies, Viet, which makes ironing equipment, and Test Bugelmaschinen Wiethuchter, which makes pressing equipment.

CPT made a pre-tax profit, after deducting directors' salaries at the proposed post-takeover level, of £842,000 in the year ended June 1985. Net assets at the year-end were £1.29m.

This acquisition fits in with Porter's strategy of expanding its specialist merchandising and distribution businesses. The joint owners and managers of CPT, Mr K. Seldis and Mr P. Koppel, will sign service agreements up to June 1988.

Porter's shares rose 3p to 245p.

Ensign Trust £15.5m agreed bid

Ensign Trust has made an agreed £15.52m offer for Commonwealth Development Finance Company, a venture capital business largely concentrated in the US and Australasia.

Ensign won agreement despite competing bids including one from CDFC's management.

The Bank of England, which controls 90 per cent of the B ordinary shares following a refinancing package and holds some A shares, in aggregate amounting to 42.1 per cent of the capital, has accepted the bid.

The purchase price compares to a net asset value of £17.52m.

The offer is 17.08 ordinary shares in Ensign for every 100 A ordinary in CDFC—largely held by industrial companies—and 34.4 Ensign shares for every 100 B shares.

There is a cash alternative of 21.09p for every A share and 105.47p for every B.

The acquisition will increase Ensign's equity by 8.5 per cent, dropping the pension fund's holding to 80 per cent. At the time of the takeover the fund gave an undertaking to the Stock Exchange to come down to 75 per cent.

BARRIE Investments and Finance says it believes a shareholder has accumulated a stake of more than 20 per cent without notifying the company as required by the Companies Act. The directors will inform the Stock Exchange when they have further information.

David Goodhart on Williams Holdings' expansion programme

Three stages of empire building

IN JUST four years Mr Nigel Rudd and Mr Brian McGowan have built up Williams Holdings into a diversified engineering company out of the unpromising debris of the recession.

Now they seem on the threshold of an ambitious expansion designed to carry the company into a much bigger league.

Their latest target appears to be McKechnie Brothers, the plastic and non-ferrous metals group more than twice the size of Williams.

Rudd and McGowan revealed a 6 per cent stake in the company last month and most analysts expect a bid.

McKechnie also appears to believe a bid likely and last week launched its own £62m all-share bid for Newman Tonks, a fellow Midlands-based manufacturer. Rejecting the advance Newman described it as a defensive move by McKechnie using paper inflated by the Williams stake.

McKechnie naturally says the move had been planned for a long time. In any case the move on Newman, even if successful, would probably not make McKechnie prohibitively large in the current take-over climate.

However, opinion is divided on whether such a bid would represent a brave new stage in Williams' charmed life or the first serious over-reaching since its 1982 transformation.

Supporters of the prospective bid are still easier to find than critics and in the light of Williams' record to date it's easy to see why.

In February 1982 Rudd and McGowan paid £400,000 for control of the loss-making Welsh foundry group Williams and Sons which was valued at £850,000.

They now run a group with a capitalisation of £92m, turnover of about £120m and estimated profits for 1985 of £6m with over £10m predicted for 1986.

In the process, the company has become a City favourite — coupled with other growing industrial holding companies like Suter and F. H. Tomkins.

The two men have ruthlessly applied the well-tried "shake-out" principles to their acquisitions: immediate closures; manning reductions; slashing of overheads; "liberating" of suppressed middle management talent and imposition of tighter financial controls.

They have taken risks, such as the acquisition of Leys Foundries in December 1982 with £3m of borrowed money, but most takeovers have been well calculated. From the start they have also mixed in some high return businesses, such as their smart car dealerships in the north, with the relatively low return foundry businesses.

They did not move into profit until 1984, with £2m pre-tax. By then they had assets, in the shape of Leys, but also considerable debt. That was largely wiped out in May 1985 through the acquisition of J. and H. B. Jackson, a cash rich and profitable engineering company.

The two most recent acquisitions—Rawlplug and Spencer Clark— have again been widely applauded. They take the group closer to the consumer and as they are both companies that Williams has known for some time it can see the possibility of genuine synergy.

Williams now operates from six divisions: specialist engineering, vehicle distribution, engineering products, plastics, investment property and foundries. The latter only accounts for about 10 per cent of turnover and only a little over 5 per cent of profit so it irkes when the company is still referred to as foundry-based.

While Williams has no wish to hide its essentially metal-bashing roots Rudd points out that it has concentrated on niche businesses with growth potential.

In these specialist, low-tech, markets, such as basic aerospace components, volumes and competition are both relatively low.

They both started young. Rudd met Brian McGowan when both were in their mid-twenties working for the holding company London and Northern and being sent out to reorganise recently acquired companies.

McGowan later moved on to work in the acquisitions department of P & O. Ten years later they joined forces again to buy the foundry company.

For the first few months they ran the show themselves but as the acquisitions began so did the delegation. "Our management job now is a personnel one —we choose the people and then give them a high degree of operational autonomy," says McGowan.

They have been careful to avoid becoming overstretched in the past two years by splitting the senior management into those who concentrate on acquisitions (Rudd and McGowan), the "hit teams" which temporarily take over new acquistions, and the more permanent management.

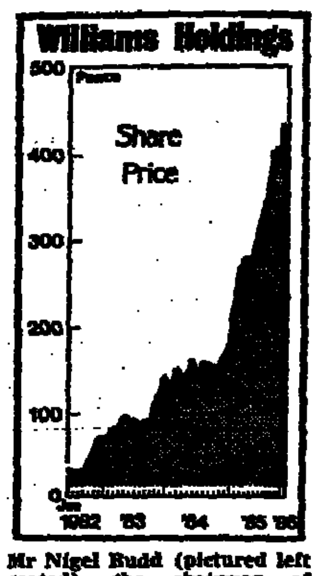
They think hard before every move although the initial idea has in some cases sprung from Rudd's perusal of the Investor's Chronicle in the bath.

Now they are known to be acquisitive they get about 20 offers a week from merchant banks and other companies, most of which end up in the bin.

Nigel Rudd refuses to comment on their intentions towards McKechnie, but in a separate context says: "We have been careful to try to avoid acquisition fever, which can easily lead to silly bids."

Nevertheless, Rudd's "stages" theory of empire building has, interestingly, shifted significantly as horizons have expanded in the past 18 months.

In September 1984 when Williams had only just moved back into the black Rudd told the Investors Chronicle that his company was now starting stage two of its development.



Mr Nigel Rudd (pictured left seated), the chairman of Williams Holdings, and the company's managing director, Mr Brian McGowan

The speed of success has led to a reordering of the stages and by January 1986 an extra one had been added. Rudd now sees the acquisition of Jackson as the end of the first stage.

It is the second stage, upon which they have very recently embarked, which now stretches from profits of £10m to £100m. The third stage is "where Hanson and BTR were a couple of years ago," says Rudd.

They certainly take the long view and Rudd acknowledges that might involve "long periods keeping our head down." McGowan adds: "We have used our paper in a bull market and will now be ready to use cash in a bear market."

But is McKechnie too big a step? Mr Peter Baring, a director of Baring Brothers who advise McKechnie, points out that the skills of Rudd and McGowan have never been tried on anything the size of McKechnie.

After some years of under-performing, the company last year hoisted profits 13 per cent to £16.4m on turnover of £222m

The Williams pair themselves acknowledge that "stage two" will soon require an overhaul of the present management structure with its small central board.

Rudd also describes, rather wistfully, one of the drawbacks of success: "It does get lonelier. At the original Williams I used to know everyone on the factory floor; at Rawlplug I only know the top 10 guys and at stage three I will only know the chief executives."

It is a kind of loneliness he is desperately seeking.

Motor Cars

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FINANCIAL TIMES
PUBLISHED IN LONDON • FRANKFURT • NEW YORK

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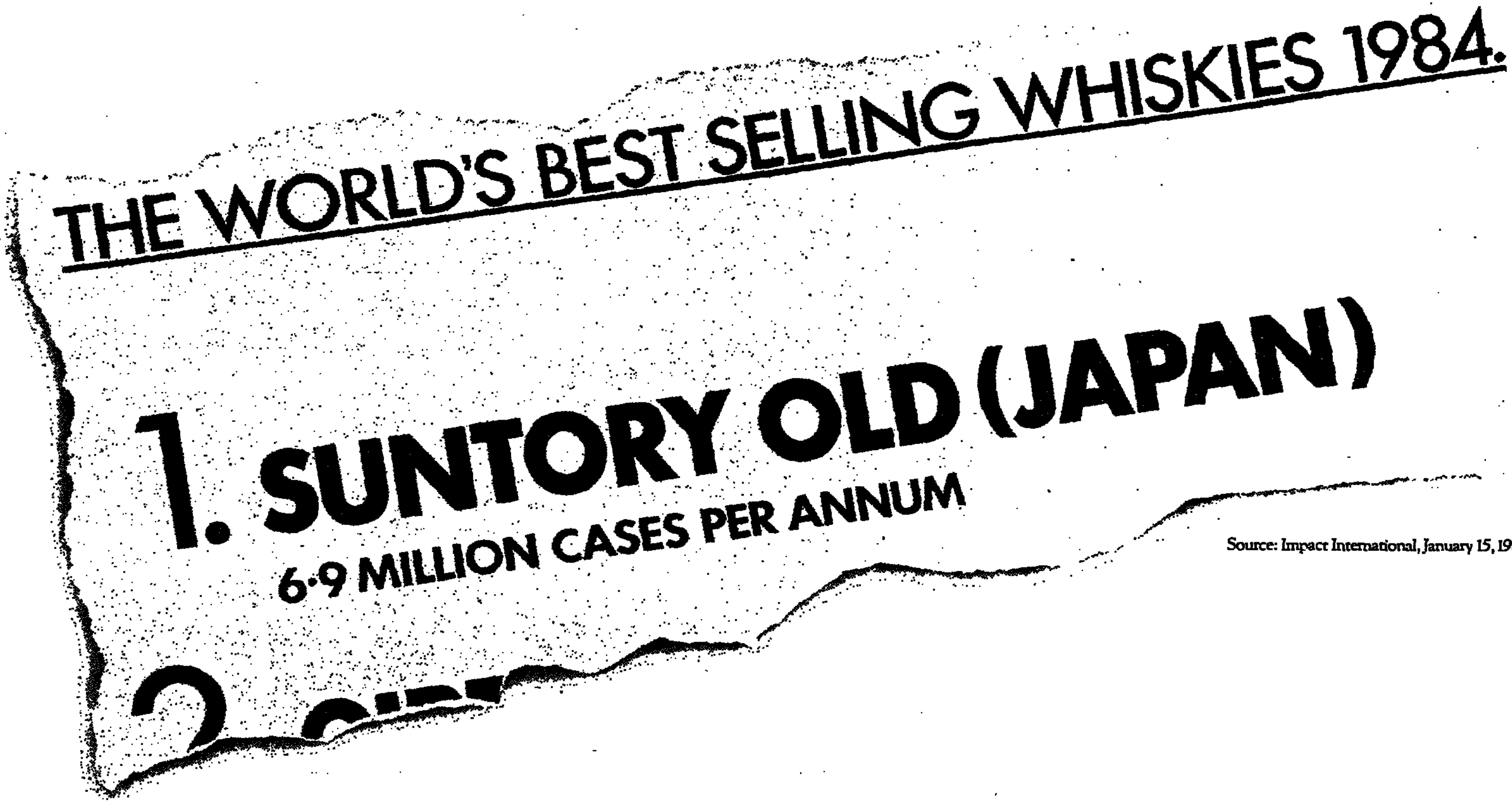

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Cray profits jump—raising £13m

A NEAR 68 per cent advance in first-half pre-tax profits, a 30 per cent increase in the interim dividend, and a proposal to raise £13.2m through a rights issue are announced by Cray Electronics Holdings, which serves the communications, marine and industrial security trades.

The rights is on a 2-for-1 basis at 235p per share, a 35p discount over the closing price on Monday—yesterday the shares were 293p. Initially the new funds will be used to reduce borrowings but it is the directors' intention to continue to achieve a high rate of growth of turnover and profits both organically and through acquisition. They believe that group prospects are excellent.

Including the half-year figures of Malvern Instruments, acquired last November, group turnover for the six months ended October 31 1985 increased 35 per cent to £20.1m, while the pre-tax profit came out at £2.12m, against £1.26m. Comparative figures have been adjusted. The interim dividend is 0.957p net, against 0.736p.

The directors say that the good performance which each division contributed has continued since October 31, and order levels are encouraging.

Malvern's results are in line with expectations and its integration is progressing well. Cray's recent investment in expanded facilities and equipment in the marine and subsea and the communications division is proving beneficial and will be reflected in future growth.

Product development programmes continue and new and enhanced products are being launched.

After tax £847,000 (£505,000) the half-year's net profit worked through at £1.27m (£757,000) for earnings of 4.86p (2.91p) per share. There are extraordinary debits of £67,000.

● comment

Cray Electronics has tended to shun the City limelight but yesterday it was in town toting a £13.2m rights issue and a video to introduce itself to a wider audience. Judging by the 23p rise in the shares to 293p the show had the desired effect. The proceeds will transform a balance sheet that is virtually one to one geared leaving the company with a small net cash position. The move is not part of building a war chest for another acquisition although these have regularly featured in the past—and will no doubt in the future. The issue is designed to straighten a balance sheet that had become expensively geared to fund the group's rapid development. With a compound growth rate of over 30 per cent few investors are going to baulk at throwing more money Cray's way. There are five core divisions communications, marine, service and security and two new ones—the Malvern acquisition, adding particle analysis and a home grown joint-ventue with a group of scientists to develop advanced materials. All areas concentrate on niche markets with strong growth prospects. This year profits could reach £6½m for a prospective p/e of 18 and next year might see over £9m dropping the multiple to under 14. Cray rode out the electronics shakeout well but the shares are perhaps a shade behind events.

Consortium buys US fruit farm for £9.4m

Anglo American Agriculture, the US estate management group, has led a consortium of British companies in the $13m (£9.4m) purchase of a Californian fruit farm and packing business.

Anglo, which is traded under Stock Exchange rule 535.2, is heading a consortium comprising Christian Salvesen, the storage and distribution group, James Finlay, the international trader, and the Plantation Trust Company. Anglo will have a 36.7 per cent equity stake in United California Farms (UCF) and will manage 800 acres of stone fruit farms planted with peaches, nectarines and plums.

The packing company, United Packing Company, will be largely acquired by Christian Salvesen though UCF will hold between 8 and 11 per cent of its equity.

Anglo has also arranged the financing for a management buyout of the principal western states offices of Doane Western, an agricultural management agency. The British group will take a small holding in Doane.

These investment have been financed by the issue of £1.45m of 7.5 per cent convertible unsecured loan stock 1999.

Cowan de Groot share holding changes hands

Cowan de Groot, the toy manufacturer and electrical wholesaler, yesterday announced interim pre-tax profits of £773,000, against £656,000 in the same period of last year, and unveiled a substantial change of share ownership which will bring Mr Philip Birch, chairman of Ward White, on to its board.

Tricorndale, which is owned by Cowan director Mr Richard Colburn and his family, has sold its 12.9 per cent stake in the group, and 9.5 per cent of the shares (1.3m) have been acquired at 46p each by Powderplan Securities, which is controlled by Mr Birch and Mr David de Carle. The remainder will be put through the market. Cowan's shares rose 14p to 65p yesterday.

Mr Colburn will be resigning from the board and Mr de Carle will be joining it, as also will Mr John Matthews, a director of County Bank, Cowan's merchant bank.

Mr Derrick Cowan, the company's chairman, said that when it had become clear that Mr Colburn wished to dispose of his stake, he had approached Mr Birch to see "if he would be interested in joining and giving us a bit of impetus to enter fields outside our traditional activities."

Ward White, a fast growing retailing group, last year acquired a chain of 80 toy shops, trading under the Zodiac name, when it bought Maynards.

Mr Cowan said yesterday he did not envisage any more formal links between the two companies. "This is a personal investment by Mr Birch," he said.

In their interim report the directors say that the general pattern of improvement has been maintained but the poor summer weather was a particular factor in limiting profit growth in the half year ended October 31 1985. Pre-tax it was up 17.8 per cent on a turnover 4.7 per cent ahead at £16.38m.

The first half represents the major portion of the year's profit but they are expecting further progress over the 12 months. The interim dividend is raised from 1p to 1.25p net.

Edinburgh American earnings rise

A substantial increase in earnings from 0.58p to 1.39p has been achieved by Edinburgh American Assets Trust in 1985. And the dividend is lifted from an effective 0.45p to 0.6p net per share.

At the year end net asset value per share came to 140.4p, compared with 123.4p, after prior charges at par but before loan stock conversion. Assuming full conversion the asset value was 129.4p (112.9p). The investment in North America equals 76 per cent of assets.

Total revenue for the year rose from £2.65m to £4.85m, with franked £407,000 (£296,000), unfranked £3.87m (£2.09m), and deposit income £538,000 (£260,000).

Markheath still set on £1.4m profits target

The directors of Markheath Securities, the property developer and investor, re-affirm the forecast of pre-tax profits of at least £1.4m for the 15 months ending March 31 1986.

Negotiations for the acquisition of further development sites are proceeding and, with increased rental growth and tennant demand, should enable the group's profit to grow significantly over the next two years, they say.

The forecast was made with the £7.3m rights issue of last June, the proceeds being used to enable the group to establish an investment portfolio by retaining some of its deevlopments as well as by acquisition. A dividend of 2.68p net was also forecast, and the promised 0.75p interim is now declared.

In a second report covering the nine months ended September 30 1985 the directors say turnover moved ahead to £6.04m (£4.56m) and the loss reduced to £411,000 (£631,000). After a tax credit of £169,000 (£317,000) the net loss per share is 1.1p (2.06p). For the whole of 1984 the group loss was £2.39m and the dividend total 9.75p.

Turnover in the nine months comprises principally the proceeds of sale of the development at Stratford for which provision was made in the 1984 accounts and which has not contributed to profit.

The letting of over 50,000 sq ft of office development at Stratford is progressing well

Joseph Webb advances to £0.13m

ON A RISE in turnover of 20 per cent from £2.41m to £2.89m, pre-tax profits for Joseph Webb increased from £120,000 to £131,000, an improvement of 9 per cent in the six months to September 30 1985.

From earnings per 5p share of 0.34p, against 0.27p, this West Midlands-based company is paying an unchanged interim dividend of 0.1313p.

Operating profit was £386,000 (£310,000) being split between holidays £272,000 (£202,000) and property investment £114,000 (£108,000). The pre-tax figure was struck after depreciation of £283,000 (£218,000) and net interest charges of £255,000 (£190,000).

The holidays increase reflects a rise in bookings and the Looe acquisition. Following its normal practice half of the full year's results have been included.

In the present half the company has launched a scheme for sales of caravans for its parks and holiday villages to private owners, which is expected to increase income and profitability for the self-catering holiday sector.

Flogas well ahead in first half

Flogas, the Irish importer and distributor of liquified petroleum gas, has experienced continued growth in all markets in the half year ended November 30 1985, and has lifted its turnover by 22 per cent to I£8.86m (£8.06m) and its pre-tax profit by 36 per cent, from I£484,000 to I£658,000.

The directors say they are confident for the rest of the year. The second half provides the greater proportion of profits—last year £1.36m. The interim dividend has already been raised to 1.272p (1.06p).

The company's shares are traded on the USM.

Frank Usher to seek flotation on the USM

Frank Usher, the high fashion clothing business which has been sold back to its founders, Max and Ann Bruh, by Mrs Jennifer d'Abo's Stormgard group, is to seek a USM flotation in April.

Stormgard acquired Usher as part of the Selincourt textile group last year but announced its sales in December, together with a £4.7m rights issue in a move to strengthen its finances.

Three institutions, IFICO, 3i and The 1928 Investment Trust, paid £2.5m in cash to finance the buy-out. They have also granted a £750,000 debenture to Stormgard, convertible into ordinary shares in Usher when it is floated on the USM.

A new holding company, Frank Usher (Holdings) has been formed. It will be managed by Mr Stephen Bruh, 39, and Mr Robert Bruh, 36, together with their parents.

The new company has acquired all the share capital of Bowker Bruh Designs, the "Coterie" fashion company established in 1984 by Mr Stephen Bruh.

Frank Usher was founded by the Bruhs in 1942 and sold to Selincourt in 1962.

Sponsoring brokers to the Usher flotation are expected by Laing & Cruickshank.

Mr Christopher Norland of IFICO will become chairman while Mr John Corre, senior partner of accountants Auerbach Hope, will become director responsible for finance.

Heavitree improves

Devon-based Heavitree Brewery raised its turnover from £4.47m to £4.75m and saw its profits at the pre-tax level improve by £128,000 to £737,000 in the year to October 31, 1985.

From earnings of 22.8p (14.8p) per 25p share the USM quoted company is lifting its total dividend by 0.75p to 8.25p net with a final payment of 6.6p.

The previous year's profits included £96,000 from a property sale.

Berkeley Technology

Berkeley Technology, the US development capital and corporate finance specialist, has matched the profits forecast made when it was listed on the Stock Exchange last February.

It reported after-tax profits of $3.35m (£4.57m) for the 11 months to December 31, 1985, slightly higher than its estimate of $3m.

The board has proposed a final dividend of 4.4 cents gross, making a total of 6.7 cents, in line with the forecast. Earnings per share were 11.5 cents.

Revenue for the 11 months was $11.52m.

BOARD MEETINGS

TODAY

Interims: Chancery Securities, Hambro Trust, Home — — — — Trust, Home Farm Products, Just Rubber, Kewill Systems, Marler Estates, W. H. Smith, Zetters.

Finals: Allied Textile, Fleming Fledgeling Investment Trust, Union Discount Company of London.

FUTURE DATES

Interims—

Bailey (C. H.) .... Feb 10

Fleming Enterprise Inv. Trust Jan 31

Reorganisation hits Hallite

REORGANISATION of facilities, which affected orders, and adverse currency movements at Hallite, synthetic rubber and plastic precision seal maker, left taxable profits at £46,000 for the 27 weeks ended November 2 1985. This is compared with £265,000.

Mr J. Gordon, chairman, says that the flow of orders received and the current value of outstanding orders are both at a satisfactory level. With the teething troubles of the reorganisation, which affected first half results, out of the way, he tells shareholders that each division is now progressing in accordance with the strategic plan to reduce costs and restore profitability to former levels.

Earnings per 50p share are down from 5.5p to 1p but the interim dividend is maintained at 3p—last year's final payment was 6p paid from profits of £701,000.

Mr Gordon says the dominating feature affecting results was the reorganisation of facilities at Hampton to establish two separate business divisions.

To ensure customer service was unaffected, many orders due in May and June were delivered, with approval, before the end of April. The effect of this was to give a profit benefit to the final quarter of 1984-85—at the expense of the 1985-86 first quarter—of at least £100,000.

In addition, costs attributable to the reorganisation amounting to £86,000 were charged in the first half.

Group Investors assets rise

After deducting prior charges at par, net asset value per 25p share of Group Investors rose from 314.6p at June 1985 to 326.2p at December 30 1985. Fully diluted for options outstanding the figure emerged at 299.3p, compared with 288.9p.

Net revenue for the half-year to end-December improved from £175,195 to £231,397 after tax of £119,848 (£87,625). Earnings moved ahead to 3.22p (2.47p) and the interim dividend is 1.6p (1.3p) net. The directors intend to pay a final of 3.2p, making a total of 4.8p (4.2p).

IN BRIEF

MEAT TRADE Suppliers reports taxable profits of £70,702, against £79,647, for the six months to end-September 1985. Turnover was £3.63m (£3.79m). Earnings per share were 1.62p (1.67p). The interim dividend is held at 1.75p.

LEDA INVESTMENT Trust's net asset value per 5p capital share at the end of the 1985 year stood at 200p compared with 170.1p a year previous. Net revenue advanced from £291,341 to £342,208 and earnings per 20p income share were 6.87p (5.85p). The second interim dividend (in lieu of a final) is 4.2p (3.5p) making 6.65p (5.6p).

MURRAY SMALLER Markets Trust saw its net asset value improve to 253p on November 30 1985, compared with 203p a year earlier, and 222.1p at the end of May. From dividends and interest of £1.08m (£1.28m) and underwriting commission of £6,297 (nil) net revenue came out at £404,283 (£507,971). With earnings of 1.42p (1.8p) an interim payment of 0.8p net (0.7p) has been paid.

G. T. JAPAN Investment Trust is holding its interim dividend at 0.4p net per share although earnings for the half year ended December 31 1985 have fallen to 0.62p (0.89p) diluted and to 0.58p (0.92p) undiluted. Net revenue was £152,000 (£241,000) after interest charges £445,000 (£106,000) and tax £102,000 (£197,000). Net asset value was 182p (203.7p) and £158.9p (176.4p) assuming full conversion of the loan stock. Fund remains fully invested.

AILSA INVESTMENT Trust reports net taxed revenue of £1.11m (£526,000) for the half year ended November 30 1985. Earnings are 2.17p (1.03p) and the interim dividend is lifted to 1p net (0.6p) and unchanged final of 1.2p is anticipated. Net asset value was 116p (109p) at November 30 and had moved up to 120.1p by January 21. Pretax revenue for the half year came to £1.76m (£791,000)

FT COMMERCIAL LAW REPORTS

Shareholders to sue at own expense

SMITH AND OTHERS v CROFT AND OTHERS
Chancery Division: Mr Justice Walton: January 27 1986

MINORITY SHAREHOLDERS who apply for an order that their pending action against the company should be conducted at the company's expense, must normally do so inter partes disclosing all supporting affidavits and exhibits; and the application will fail if the action appears to have no chance of success and is brought against the express wish of the majority of independent shareholders.

Mr Justice Walton so held when giving judgment for the company, Film Finances Ltd, on its application to set aside an order of Master Chamberlain that it should indemnify minority shareholders for costs in their pending action against members of the company's board, other companies to which board members' remuneration had been paid, and the company itself.

HIS LORDSHIP said that minority shareholders claimed the company's directors had paid themselves excessive remuneration.

They followed a procedure suggested and sanctioned by the Court of Appeal in *Wallersteiner v Moir (No 2) [1975] 1 QB 373* and applied *ex parte* to the Master for an order that the company should indemnify them against their costs in the action. The application was supported by an affidavit sworn by their solicitor, to which was exhibited a statement by a Mr Hill, an accountant.

The Master acceded to their application by an order made on March 28 1985. The company served a summons to have it set aside. The Master adjourned the summons to the present proceedings.

Meanwhile, the minority shareholders had taken out a summons requesting that they should be at liberty to tax their costs on a common fund basis at three-monthly intervals. By an order of June 11 1985 the Master acceded to that request, but only as to 60 per cent of the bills.

The minority shareholders and the company both appealed from that order, the shareholders on the basis that it ought not to be restricted to 60 per cent, and the company on the basis that no such order should have been made.

In *Wallersteiner v Moir* at page 391 Lord Denning MR said that "the minority shareholder, being an agent acting on behalf of the company, is entitled to be indemnified by the company against all costs reasonably incurred by him in the course of the agency."

The court ought not to make a *Wallersteiner v Moir* order where there was any real possibility of its producing injustice.

The first question was whether such an order should be made *ex parte*.

In a normal case the order should most definitely not be made *ex parte*. That procedure could only lead to appeal whereas it would be far more satisfactory if the application were dealt with in one.

In a *Re Beddoes application ([1893] 1 Ch 557)*, where trustees obtained leave to bring an action at the expense of the trust estate, a defendant beneficiary was allowed to be present and to address any arguments to the court (see *Re Moritz [1960] Ch 251*. If he won, orders as to costs would be made, including an order that no part of the cost of bringing the action should be thrown on his share of the assets.

In a *Wallersteiner v Moir application there was no such* possibility of subsequent rectification of injustice. How much more then must it be right that the company should be joined as a party able to lay what facts it could before the court?

The next question was what part of the plaintiff's evidence filed on the summons should the company be allowed to see?

First, it must be allowed to see the affidavits, pursuant to the Rules of the Supreme Court (see Order 41 rule 9 (3A) and Order 63 rules 3, 4 and 4a).

A person who was entitled to see an affidavit was entitled to see the exhibits thereto (see *Hinchcliffe [1895] 1 Ch 117)*. The only intelligible practice on a *Wallersteiner v Moir* application must be that all such evidence should be disclosed to the company, save to the extent that it consisted of matters covered by legal professional privilege, or where there was some other excellent reason for its being held back. Unless it had been disclosed how was the company to be in a position to demolish the plaintiff's case?

In the present case much of the meat of the minority shareholders' case was contained in Mr Hill's exhibited statement. Virtually all the documents exhibited to his statement would have been disclosed on discovery. It would seem incredibly unjust if those could have been concealed from the company's gaze in the meantime.

The whole of the evidence filed by plaintiffs should be disclosed.

That procedure was in the best interests of minority shareholders. It was well settled that an order made *ex parte* could not be relied on unless the person obtaining it had shown the utmost good faith to the court, and disclosed all facts which would tend to show that his case was not good.

The third question was what was the proper test when deciding whether a *Wallersteiner v Moir* order should be made.

The court could not at this stage decide the truth of the allegations. What it could do, however, was to look at all the facts, first those which were common ground, then those alleged by the company but denied by the plaintiffs, and make up its mind.

This was not an application to strike out the action on the grounds that it could not be justified as a minority shareholders' action, but the same kind of considerations applied. If the majority of the independent shareholders did not wish the action to be continued, the court would not sanction its continuance at the company's expense.

On December 7 1982 the company chairman received from Mr Hill's solicitors a letter making extremely serious allegations of financial irregularity against the board and individual members.

The board's reaction was swift and proper. An independent firm of accountants was instructed to carry out an investigation. The managing director wrote on the company's behalf requesting it to complete the investigation as soon as possible in view of the seriousness of the allegations, and to make a full report to the board. He said the company would not restrict it from extending the investigation where necessary in the cause of establishing the truth.

Those instructions could not be faulted. They were precisely the instructions one would have expected from a perfectly honest board of directors.

On March 11 1983 the accountants made their report. In effect, it refuted completely all the allegations. Put at its highest in favour of the minority shareholders, the most sceptical wholly independent director having read the report would not have concluded that the proceedings had even an even chance of success.

On that simple basis alone, the Master's original order could not be justified and must be set aside.

The mere fact that the board when faced with the allegations took the course it did, was a strong pointer to the fact that even had the report been to a contrary effect, the board members involved were not acting fraudulently.

The present board had pushed up the value of the company's shares and the dividends payable quite dramatically. The company and all its shareholders had benefited greatly from its efforts, even if shareholders took the view that the directors had been extremely well paid.

It was clear from the evidence that the largest shareholder in the company supported the executive directors throughout for the important reason that "without them our investment would be valueless"—an eminently reasonable and practical conclusion.

There was no reason whatsoever not to take its views into account.

The action should not be allowed to proceed against the express wish of the holder of the majority of independently held shares at the company's expense.

The appeal and cross-appeal on the second summons thus became academic.

The rationale for a *Wallersteiner v Moir* order was to ensure that the plaintiff in a minority shareholder's action should not be prevented from pursuing an obviously just case through lack of funds, or fear that he might fail and be at risk of costs he could not possibly pay.

The making of such an order might turn out to have imposed on the company a liability which ought never to have been imposed. One should therefore be very careful not to extend the liability.

In order to hold the balance fairly between plaintiffs and defendants it would be incumbent on plaintiffs applying for such an order to show that it was genuinely needed—ie that they did not have sufficient resources there was no reason why the extra burden should be placed on the company.

The Master was right to order payment of only 60 per cent of the taxed costs because if an order were made for complete payment there would be no spur on the minority shareholders to proceed with the action. Some spur was required. The precise amount would depend on a plaintiff's pecuniary situation.

The order of March 28 1985 was set aside. The company's appeal from the order of June 11 was allowed and the minority shareholders' appeal from that order was dismissed.

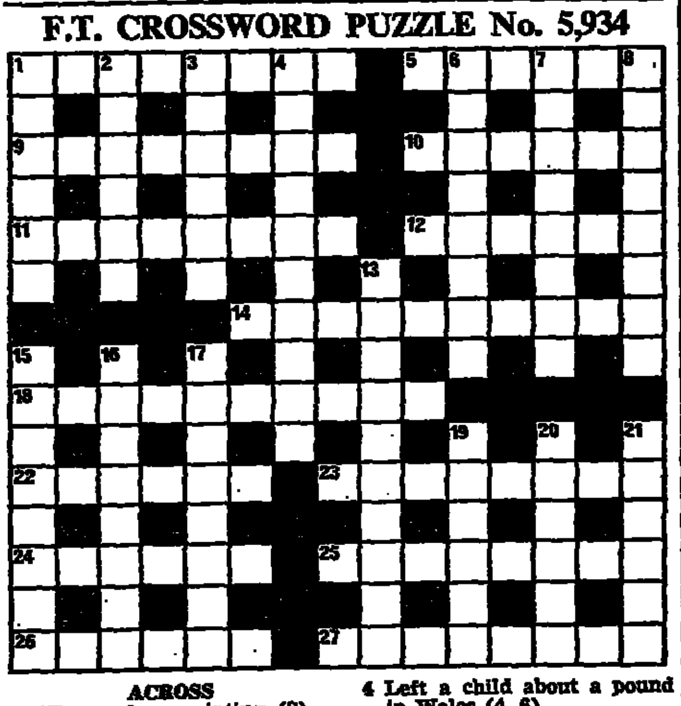
For the minority shareholders: Jonathan Parker QC and Daniel Serota (Gouldens).

For the company: William Aldous QC and Caroline Hutton (Harbottle and Lewis).

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full texts of judgments. For details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0391.

F.T. CROSSWORD PUZZLE No. 5,934



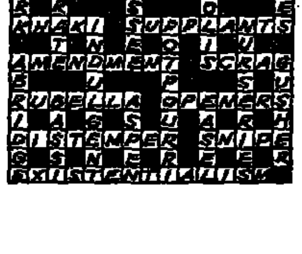
ACROSS

1 Water-colour painting (8)
5 Many a guy is with a leading journalist, that's agreed (6)
9 They tell about the trainee being given a rest-break (8)
10 Soldiers hold a deserter, though there's no charge made (6)
11 Animal cut by trap in the dark (8)
12 Restraint in management—quite the right thing (6)
14 People fighting may be put out at a girls' do (10)
18 "An undevout . . . is mad." Young (Night Thoughts) (10)
22 A copper ring of much interest (6)
23 Sort of tree to set by a road (8)
24 Moor the French have made fertile (6)
25 Sound, like the taking fellow (8)
26 Modish aim in endeavour (6)
27 The supporter heard ten different versions (8)

DOWN

1 He writes copy in quarters (6)
2 A boor about 50, completely exhausted (3, 3)
3 Ignore constraint when there's such meat (6)
4 Left a child about a pound in Wales (4, 6)
6 A rider on rams—he has to be different! (8)
7 People may strike here with little friction (5-3)
8 Underworld boss having lock trouble (8)
13 Published rates dived badly (10)
15 Terriers taken in the car play. This reduces vision (8)
16 Check work quietly within a certain period (8)
17 Everyone carried outside came to (8)
19 Conservationists in Ireland are not divided (6)
20 Apple-core—a modern taste (6)
21 Coming nowadays before the opening (6)

Solution to Puzzle No. 5,933



APPOINTMENTS

Reorganisation at C. H. Benzer group

Following the merger of C. H. Beazer (Holdings) and French Kier Holdings the following appointments have been made: Mr C. A. Frettsome, Mr E. R. Allen, Mr W. Fox and Mr A. M. Gammage, directors of French Kier, will join the board of C. H. BEAZER on January 31. Mr B. C. Beazer, Mr H. A. Rees and Mr T. J. Upsall, directors of Beazer, have been appointed directors of FRENCH KIER. Mr Beazer has been appointed chairman of French Kier. Mr J. C. S. Mott, Mr W. R. Hare, Mr H. C. Cottrell and Mr T. Carlile have resigned as directors of French Kier.

The contracting activities of the group will be led by French Kier operating through the existing subsidiary companies which will trade under their existing names and management. Mr Frettsome will be the chairman and chief executive of the contracting division with overall responsibility for these activities. Mr Allen and Mr Fox will be the directors, responsible to Mr Frettsome, for UK and overseas contracting respectively. Mr Gammage will join the finance and administration committee of the group. Mr J. R. F. Raw, a director of French Kier, will become financial controller of the group's contracting activities. Mr Upsall will remain the chairman and chief executive of the housing and property development divisions and responsible for these activities in the enlarged group.

★

Mr Michael Hanson has resigned as editor of Chartered Surveyor Weekly, and as editor-in-chief and director of RICS Journals, from the end of January. He is to join the board of GILBERT, DOYLE ASSOCIATES as managing director of the PR division, Gilbert Doyle PR.

★

Mr Frank Leonard and Mr Brian Shaw will be joining MERRILL LYNCH from stockbrokers Phillips and Drew to assist in the development of certain European, Middle East and global markets. Both were senior members of the Phillips and Drew gilt sales team.

★

From March 1 Mr Keith Fox becomes operations director and deputy managing director of JEAN SORELLE. He was operations director for Max Factor (UK).

★

THE DE LA RUE COMPANY has released Mr W. C. Shaw from his contract as finance director to enable him to become group finance director of the British Airports Authority from April 1. Mr John White, at present group financial controller, has been elected to the board of The De La Rue Company and appointed finance director.

★

HILL SAMUEL SHIPPING HOLDINGS has appointed Mr John Spruyt to the board. He joined the company in 1982 and is director of Lambert Brothers Shipping, and London and Wallem Ship Management, Hong Kong — both members of the Hill Samuel Group.

★

ICELAND FROZEN FOODS, retail subsidiary of Iceland Frozen Foods Holdings, has appointed Mr Richard Boyland as warehouse and distribution director and Ms Janet Weinstein as personnel director.

★

Mr Jasper G. Grinling will be retiring from the board of THE NORTH BRITISH DISTILLERY COMPANY on January 31 and Mr James Bruxner has been appointed a director.

★

BRITISH VENDING INDUSTRIES has appointed Mr Jeremy John Male to the board of its main subsidiary company, Automatic Catering Supplies. He was general sales manager of the coffee service division. Also joining the subsidiaries board is Mr John Gordon Mowat. He was group chief accountant and company secretary.

★

Mr Andrew Price has been appointed finance director of APOLLO FIRE DETECTORS, a member of the Halma Group. He was assistant manager with the independent business group at Price Waterhouse.

★

ASSURANCES GENERALES DE FRANCE has appointed Mr Jean-Pierre Paumier as general manager of the London branch. He takes over from Mr Thierry Auger who has become AGF general representative in Japan.

★

Mr Paul Coster has been appointed joint managing director of CENTROVINCIAL ESTATES with responsibility for new development projects.

★

AGRICULTURAL GENETICS COMPANY, Cambridge, has appointed Dr Paul Beseley as director of research and development. He was new technologies manager of the research products division of Amersham International.

★

Mr Alasdair N. Macleod has been appointed managing director of WENTWORTH INVESTMENT SERVICES, a wholly-owned subsidiary of Wentworth Asset Management.

★

Mr Eddie Honeywell has been appointed production director of DALEPAK FOODS. He was fresh food director of Amos Hinton and Sons.

★

Mr I. C. Watson is appointed managing director of APV PARAMOUNT from February 1. He has been deputy managing director since October 1985. He joined APV Paramount from the GCE Group where his last position was managing director of GEC Rolls Royce (Power Generation). Mr Arthur Dennis, the present managing director of APV Paramount is retiring at the end of January.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL. 0793 28291

Fixed Int. Dep. Acc.	212.7	223.9	.....	—
Equity Acc.	544.2	572.9	.....	—
Property Acc.	309.1	325.4	.....	—
Far East Acc.	109.5	115.3	.....	—
Managed Cap.	277.2	291.9	.....	—
Managed Acc.	446.0	469.5	.....	—
O'seas Earnings Acc.	359.3	378.5	.....	—
Gilt Edged Acc.	240.6	253.3	.....	—
American Equity Acc.	324.8	341.9	.....	—
American Man Acc.	157.7	166.0	.....	—
American Prop Acc.	122.7	129.2	.....	—
Pen.F.I.Dep.Cap.	234.2	246.6	+0.3	—
Pen.F.I.Dep.Acc.	356.6	375.4	+0.8	—
Pen. Prop. Cap.	375.8	395.6	.....	—
Pen. Prop. Acc.	632.2	665.5	+0.5	—
Pen. Man. Cap.	560.4	589.9	+5.7	—
Pen. Man. Acc.	941.4	991.0	+10.2	—
Pen. Gilt Edg. Cap.	246.7	259.7	+1.5	—
Pen. Gilt Edg. Acc.	338.6	356.5	+2.2	—
Pen. Eq. Cap.	889.2	936.1	+11.9	—
Pen. Eq. Acc.	1132.3	1191.9	+15.9	—
Pen. Am. Eq Cap.	125.6	132.3	+1.8	—
Pen. Am. Eq Acc.	134.9	142.1	+2.1	—
Pen. Far East Cap.	126.7	133.4	+6.8	—
Pen. Far East Acc.	136.0	143.2	+7.4	—
Pen. B.S. Cap.	246.5	258.9	+0.4	—
Pen. B.S. Acc.	365.4	383.7	+0.9	—
Pen. D.A.F. Cap.	197.7	197.7	+0.3	—
Pen. D.A.F. Acc.	260.9	260.9	+0.6	—
Pen. Mortgage Cap.	110.9	116.8	+0.2	—
Pen. Mortgage Acc.	119.2	125.5	+0.4	—

Ambassador Life Ass. Co Ltd
80 Holdenhurst Rd, Bournemouth 0202 292345

Equity Fd Acc.	109.2	115.0	.....	—
Equity Fd Cap.	101.6	107.0	.....	—

Baltic Assurance Funds
11 New Street, London EC2M 4TP 01-493 9899

Managed Growth	211.34	222.47	+5.48	—
Managed Income	102.83	108.25	+0.87	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Confederation Life Insurance Co
50 Chancery Lane, WC2A 1HE 01-242 0282

Life Funds				
Managed Fund	513.7	540.7	.....	—
Equity Fund	597.7	629.1	.....	—
International Fund	196.8	207.1	.....	—
Fixed Interest Fund	167.8	176.6	.....	—
Property Fund	121.6	127.7	.....	—
Index Linked Fund	106.1	111.6	.....	—
Cash Deposit Fund	122.1	128.5	.....	—
PIP Fund		1,617.5	.....	—
Individual Pension Funds				
Personal Pens Managed	310.5	326.8	.....	—
Staffguard Managed Pen	310.5	326.8	.....	—
Group Pension Funds				
Group Mixed Pension		827.8	.....	—
Equity Pension		1344.2	.....	—
International Pension		269.8	.....	—
Fixed Interest Pension		432.6	.....	—
Property Pension		494.3	.....	—
Index Linked Pension		116.9	.....	—
Cash Deposit Pension		164.1	.....	—

Continental Life Insurance PLC
64/70 High St, Croydon CR0 9AN 01-680 5225

Equity Acc.	257.8	271.4	.....	—
Property Acc.	241.2	253.9	.....	—
Int Acc.	186.5	196.4	.....	—
Managed Acc.	228.4	240.5	.....	—
Spec Sits Acc.	196.9	207.3	.....	—
Investment Tst Acc.	111.0	116.9	.....	—
Pen Int Acc.	201.1	212.0	.....	—
Pen Prop Acc.	294.9	310.5	.....	—
Pens Equity Acc.	385.0	405.3	.....	—
Pen Mngd Acc.	251.1	264.4	.....	—
Pens F & C Man Acc.	112.0	117.9	.....	—
Pens Inv Trust Acc.	129.5	136.4	.....	—

Prices for other funds available on 01-377 8682

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd (A&B) Jan 20	202.5	213.5	.....	—
Fixed Int (A&B) Jan 20	151.5	159.5	.....	—
Man Growth (A&B) Jan 20	440.5	464.1	.....	—
Money Fd (A&B) Jan 20	135.0	142.5	.....	—
Cap Fd (A&B) Jan 15		318.0	.....	—
G.&S. Spec. Fd (A&B) Jan 15		135.0	.....	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.55			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	10.99	8.22	12.01	6mth
7-day Fnd	11.45	8.54	12.49	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.84	8.10	11.80	6-Mth
7-day Fund	11.66	8.71	12.70	6-Mth
Dollar	6.75	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc	11.50	8.50	12.53	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	11.75	8.78	12.97	Qtr
Mth. Int. Chq.	11.75	8.78	13.06	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HiBCA	13.00	9.73	14.52	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	12.15	9.08	13.53	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.25	9.125	13.49	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	11.75	8.78	13.0649	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DN. 01-248 3999				
Sterling	12.00	8.96	13.35	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-741 4942				
Money Market Plus		9.34	13.93	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.06	9.02	13.33	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	12.50	9.34	13.83	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc.	12.50	9.34	13.95	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	12.15	9.08	13.53	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	12.04	9.00	13.14	6-mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
HighIntCheque Account	11.75	9.00	13.30	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	12.500	9.344	13.349	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A.	12.00	8.97	13.37	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8635				
High Int Chq Acc.	11.71	8.75	12.43	Qtr
£10,000 +	12.04	9.00	13.30	Qtr
Oppenheimer Money Mngment Ltd 66, Cannon St, EC4N 6AE. 01-236 1425				
Money Mngt. acct.	10.875	8.13	11.97	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc.	11.50	8.60	12.68	Qtr
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc.	12.50	9.34	13.93	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	12.15	9.08	11.42	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	11.35	8.60	12.82	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	12.10	9.04	13.36	Qtr
Money Acc	12.04	9.00	13.29	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	11.25	8.41	12.49	Mth
Over £10,000	11.50	8.60	12.79	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5SE 0752 24141				
High Int Chq Acc.	12.69	9.48	14.03	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p	Marks & Spencer	13
Allied-Lyons	28	Metal Closures	14
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	$3\frac{1}{2}$	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	$9\frac{1}{2}$
Comm Union	25	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	108	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min.	$3\frac{1}{2}$
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd.	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

MMB attacked over Dairy Crest performance

BY ANDREW GOWERS

THE Milk Marketing Board of England and Wales may be forced to make important changes in the way it runs its commercial subsidiary, Dairy Crest Foods, following criticism in a Government-commissioned report published yesterday.

The report, prepared for the Ministry of Agriculture by Touche Ross, management consultants, chastised Dairy Crest for what it described as a poor financial performance and the MMB, the statutory dairy co-operative, for giving undue weight in price negotiations to milk producer interests.

Its conclusions will be the subject of intense negotiations over the next few weeks between the ministry, the board and the Dairy Trade Federation, which represents independent dairy companies. The Federation has been pressing for changes in the MMB's structure on the grounds that Dairy Crest is an unfair competitor.

They will also be closely examined by other critics of Britain's unique dairy marketing arrangements, including the European Commission, which is prosecuting the UK for aspects of its milk pricing system in the European court.

The report's central argument is that Dairy Crest — which is by far Britain's largest butter and cheese manufacturer — has not behaved as a fully-independent dairy company would be obliged to, in spite of the MMB's obligation under EEC law to put its commercial activities "so far as practicable . . . on an equal footing with the activities of independent commercial undertakings."

"We do not believe that the shareholders of a commercial company would have regarded Dairy Crest's performance over the last six years as acceptable," it says. "We think that an independent company would have found it difficult to raise the amount of external funding which Dairy Crest has received."

The report stops short of calling for the hiving-off of Dairy Crest as a completely separate company from the MMB, as some of its more radical critics have long proposed.

And it clears the MMB of charges that it has used Dairy Crest directly to assist its negotiating position with independent dairies; that it has given Dairy Crest special access to milk supplies or special prices; or that it has failed adequately to separate its own accounting systems from those of Dairy Crest.

But it does say that independent dairy companies have been weakened in their negotiations with the board over pricing by the fact that Dairy Crest has not been represented on their side. This, it says, has allowed the MMB to put forward the interests of milk producers "even where this would have an adverse commercial impact on Dairy Crest."

It also criticised the overlap in senior management between the MMB and its commercial operations, in spite of EEC regulations calling for management of Dairy Crest at arm's length.

Sir Steve Roberts, the MMB chairman, yesterday expressed satisfaction that "by and large, the report confirms that the board is complying with the Milk Marketing Scheme in the way it separately administers and finances its commercial operations."

Malaysia to reopen tin market

By Wong Sulong in Kuala Lumpur and Stefan Wagstyl in London

THE Kuala Lumpur Tin Market will resume trading from next Monday, ending a three-month suspension which began when the tin crisis erupted.

The KLTM board said yesterday it believed that the industry, long denied of a free market, would welcome a commercially meaningful reference price. The decision was approved by the Malaysian Government.

The KLTM has been suspended since October when the market was closed in line with the suspension of tin trading on the London Metal Exchange.

Mr Michael Brown, LME chief executive, denied the KLTM decision would put pressure on the LME to re-open trading. The LME view is that the future of its tin market is tied to the deliberations of the tin council, which today resumes its latest round of emergency meetings to consider plans for refinancing the market. The LME authorities next meet on the tin crisis on Friday.

LME traders pointed out that the KLTM is a physical market, where traders buy metal from the producers, whereas the LME is primarily a forward market where deals are hedged to protect against future price movements.

The KLTM decision will, however, make more public the extensive secondary market in tin which has developed since October, increasing the visibility of prices around the world.

Mr John Mills, managing director of Capper Pass, Europe's largest tin smelting company, said: "It's going to be yet another yardstick in the market."

Tin, which was suspended at a price of £8,140 a tonne on the LME for three-month metal, is now trading in a range of £5,700 to £5,900 a tonne in Europe. In Malaysia the grey market being operated by the two smelters at Penang have sold about 6,500 tonnes of tin. The metal now fetches about 18 ringgit a kilo—about £5,500 a tonne. European prices reflect the shipping charges.

Malaysian mining officials say the decision to re-open the KLTM was prompted by the emergence of the grey market. Among other large producers, Indonesia has been pricing deals on a case by case basis without using a constant reference price, but Thailand has been posting an official daily price for several weeks.

Initially, the KLTM will limit trading to only 150 tonnes, which was the typical pre-suspension turnover, and confined to tin smelted by Malaysian smelters.

This is aimed at preventing the market from being flooded with the metal, causing a price collapse. This restriction will be reviewed or withdrawn "as soon as practicable," the KLTM said.

Tin contracts, sold to the tin council via KLTM before suspension and not settled will not be permitted to be re-sold on the market for the time being in view of on-going ITC discussions on these issues.

London markets restructuring plan backed

THE LONDON Commodity Exchange's three main markets, those in sugar, coffee and cocoa futures, have agreed in principle to restructuring proposals put forward earlier this month.

The plan, which involves merging the individual markets into a new centralised company, was proposed by Mr Saxon Tate, the LCE's executive chairman in a bid to improve the competitiveness of London as a soft commodity trading centre.

The three markets suffered from a sharp decline in trading volume last year, although the coffee futures market has recently seen something of a resurgence as a result of the increased volatility in coffee prices.

Mr Tate, who was appointed last autumn, said he had received backing in principle from all three Terminal Market Associations—the bodies that run the markets—by yesterday. It is understood that out of the three markets, cocoa was the least enthusiastic, on the grounds that it remains the leading international forum for trading that commodity. But it, too, appears to have been won over yesterday.

Mr Tate has now been empowered to work out detailed proposals with a view to implementing the plan with the start of the new financial year in April. It will also be discussed at a full meeting of Exchange members on Friday.

Members of the International Petroleum Exchange, the LCE offshoot which runs markets in gasoil and crude oil index futures, have also informally approved the plan.

Florida citrus frost not as severe as feared

BY MARY FRINGS IN DALLAS

FLORIDA CITRUS growers raced to harvest as much as possible of the early to mid season orange crop on Monday, ahead of a wind driven freeze forecast to hit most of the state by early Tuesday.

Fortunately temperatures stayed at the higher end of the forecast range, and intense cold barely persisted beyond the critical 5-6 hours. Early assessments were for some fruit damage, but no extended tree loss. The danger is not over, however. Although the weather should warm up rapidly on Wednesday last night's forecast (i.e. Tuesday to Wednesday) was for clear skies and 26 to 30 degrees farenheit in most of the citrus belts with some cold pockets.

The Florida Department of Citrus, said yesterday that in the Northern part of the state, where temperatures dropped to below 20, there was little left to be hurt, following the freezes in the last two growing seasons.

Polk County lying mainly south of inter state four at between Tampa and Florida was more seriously affected because although it now lies on the Northern edge of the citrus belt, it is still the state's biggest producer, Mr Alan Hart, manager of Lakeland Island Co-operative, says the trees should have come through safely, but their condition is hard to assess because "it is like catching pneumonia for the first time."

On the New York market orange juice futures prices fell the 5 cents also permissible daily limit in early trading, wiping out Monday's limit rise. But losses were fewer as traders were reminded that the danger was not over.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,750-2,780.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 3.20-3.50.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in arehouse, ingots, 0.74-0.78, sticks, 0.78-0.82.

COBALT: European free market, 99.5 per cent, $ per lb, in arehouse, 10.20-10.55.

MERCURY: European free market, min 99.99 per cent, $ per flash, in arehouse, 235-245.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.65-2.75.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 6.80-7.05.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif 54-63.

VANADIUM: European Free market, min 98 per cent V_2O_5 other sources, $ per lb V_2O_5, cif, 2.30-2.35.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

Compromise saves farm aid fund

BY JAMES BUXTON IN ROME

THE MEN who run IFAD, the UN's International Fund for Agricultural Development, are suddenly looking cheerful. After more than two years during which the future of the Rome-based organisation looked black, IFAD has finally secured pledges of funds.

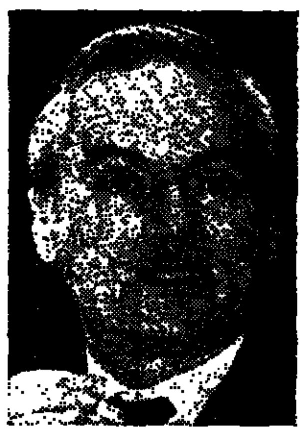
Even more gratifyingly, it has discovered that its reputation as a lean and relatively efficient aid organisation is a bankable asset when it comes to raising money.

IFAD is an unusual member of the UN family. It was founded in 1977 as a joint venture between the then cash-rich Opec states and the OECD countries to put money into third world agriculture. The idea was that Opec would hand over some of its surplus revenues if OECD countries were prepared to match them.

The Fund began life with capital of $1.06bn, of which some 43 per cent was contributed by the Opec states. Almost from the start bickering broke out between the two categories of donor members with Opec states being accused of not pulling their weight. The first replenishment of funds—an injection of $1.1bn agreed in 1982—was contributed 41 per cent by Opec members, 56 per cent by OECD countries and 3 per cent by developing countries. But with IFAD's commitments racing ahead—it has now lent $1.8bn, of which some $715m has actually been disbursed—the organisation almost immediately required a further replenishment.

There were two snags, however. First, the Opec countries were, by the mid-1980s, running out of money. And second, the US had doubts not only about international aid organisations in general but about IFAD's effectiveness in particular.

The US gradually overcame its reservations about IFAD, after US aid produced a favourable report on it, and



Mr Idriss Jazairy, IFAD's president

Congress voted to contribute up to $150m. But the US still insisted that the original 40/60 partnership between Opec and the OECD be adhered to.

A compromise was finally reached at last week's meeting of IFAD's 141-nation governing council in Rome. Funds would be replenished by $500m for the three-year period which actually began in January 1985. Of this some $300m would come from the OECD countries, and some $200m from the Opec countries.

There is one hitch, however. The Opec countries' individual pledges (led by Saudi Arabia with $72.6m) are actually $16m short of the $200m needed, and the OECD countries have pledged $276m (with the US putting in $79.8m). Opec states have promised to make firm pledges of the remaining $16m by February 19, and the OECD countries have promised to match this on a three-for-two basis. If the Opec pledges are not forthcoming IFAD will have to settle for the $460m to which invidual countries have so far committed themselves.

IFAD therefore will survive, but will have much less money to lend than it had in the past, especially allowing for inflation. So why is Mr Idriss Jazairy, the sophisticated Algerian who is IFAD's president, looking so content?

The first reason is that IFAD has established a role and a reputation that make it unlikely that it will ever be allowed to disappear.

It is a financing agency rather than a fully-fledged aid organisation. It finances projects which are being implemented either by national governments or other aid agencies. Its role is to study possible projects, to co-finance those it approves and to monitor their execution.

Its loans are primarily aimed at helping the rural areas of developing countries by assisting the basic food production of small farmers. It believes that by helping small farmers to improve the way they do what they have been doing for generations, it can achieve as much for rural areas as do more ambitious projects aimed at producing export crops for uncertain world commodity markets.

As a financing institution IFAD does not need a large staff. It employs only 181 people at its headquarters in Rome, of whom 80 are professionals, which must make one of the most productive development agencies in the world.

Capitalising on its good reputation in the field, IFAD last year presented a plan for the rehabilitation of food-growing in the sub-Saharan countries affected by the recent drought. The aim is to help the region's farming to recover by providing basic inputs—ranging from hand tools to fertiliser—and make a start on controlling erosion and desertification. IFAD proposed a programme for nine countries, from Ethiopia to Zambia, which would cost up to $300m.

Although the programme was only formally approved last week many OECD countries and even multilateral organisations, such as the EEC, have indicated that they will contribute. IFAD believes it should have little difficulty getting to $200m in the near future. The beauty of this programme, from IFAD's point of view, is that these funds will not only be over and above the replenishment, but will be untrammelled by the Opec-OECD linkage which has caused so much difficulty.

That leads to the second reason for Mr Jazairy's contentment. The more IFAD becomes self-sufficient organisation, able to draw on funds outside the Opec/ECD formula, the easier it should be to find a solution to its long-term funding problems. The absurdity of Nigeria having to contribute only $3m less than the UK's $13.2m is widely appreciated among most IFAD contributors, not just on the Opec side.

Mr Jazairy now plans to set up a committee of experts who will study ways of financing IFAD in the future without abandoning "its special character" and its governing structure. The options the committee will consider include:

● Broadening the category of contributors which at present consists only of Opec states to include other developing countries with financial resources.

● Increasing the "reflow" of interest and early repayments from loans that have been made.

● Borrowing commercially.

And as a demonstration of his determination to keep the organisation lean, even though its workload is rising as its disbursements increase, Mr Jazairy has cut IFAD's operating budget by 8 per cent this year. "We felt we needed to have a lifestyle appropriate to an organisation whose role is to deal with poverty," he explained.

LONDON MARKETS

COFFEE FUTURES prices opened lower, reflecting the overnight tone in New York, andl ost further ground under the influence of stronger sterling. The March position ended the day £133 down at £2,478.50 a tonne, more than wiping out Monday's £58.50 rise. Dealers said there was no fresh fundamental news to influence the market and buyers remained on the sidelines. Meanwhile sellers were encouraged by technical considerations as operators tried to test chart support levels at around £2,450 a tonne. Despite rallying somewhat in the afternoon cocoa values ended down on hte day. Currencies were the main influence as the May position closed £12.50 lower at £1,737 a tonne. Sugar prices drifted lower in quiet trading and on the London Metal Exchange most base metals were little changed—though aluminium fell £14 in the cash position to £796.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	796-7	—14	795/792.5
3 months	825-6	—16	834/820

Official closing (am): Cash 793-.5 (807.5-8), three months 821.5-2 (838-.5), settlement 793.5 (808). Final Kerb close: 824-5.

Turnover: 20,150 tonnes.

INDICES

FINANCIAL TIMES

Jan. 28	Jan. 27	M'th ago	Year ago
—*	—*	—*	299.50

(Base: July 1 1952=100)

REUTERS

Jan. 27	Jan. 24	M'th ago	Year ago
1857.0	1855.8	1788.4	1996.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 27	Jan. 24	Month ago	Year ago
Spot	132.23	131.78	—	121.48
Fut.	132.49	133.64	—	125.99

(Base: December 31 1931=100)

* Not available due to suspension of the LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Jan. 28 1986	+ or —	Month ago
METALS			
Aluminium			—
Free Mkt	$1190/200	+10	$1130/50
Copper			
Cash h Grade	£1028.5	—3	£971.5
3 mths	£1064.75	—5.5	£991.75
Gold Troy oz	$352	—5.125	$327.5
Lead Cash	£265	+1.5	£266.5
3 mths	£274.87	+0.37	£275.25
Nickel			
Free Mkt	178/198c	—2	183/205c
Palladium oz	$105.65	—0.6	$95.50
Platinum oz	$373.00	—5.5	$342.00
Quicksilver†	$310/320		$250/260
Silver troy oz	434.60p	—17.50	407.85p
3 months	447.60p	—15.80	419.50p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$63.71		$69.74
Wolfram 22.0lb	$53/61		$53/61
Zinc	£464.5	—2	£487
3 months	£469.5	—5	£493.75
Producers	$680/780		$680/780
OILS			
Coconut (Phil)	$325v	—20	$440
Palm Malayan	$320y		$410

US MARKETS

PRECIOUS METALS attracted scattered trade interest on the firm tone to financials and currencies, reports Heinold Commodities. Copper and aluminium registered modest losses on light profit-taking. Sugar was under scattered pressure from light producer selling which encouraged profit-taking. Cocoa was firm as producer selling remained light. Good nearby supply availability led to limit-down losses in coffee. Cotton remained under pressure on selling linked to advanced deficiency payments-in-kind. The energy complex reversed early gains and closed lower in anticipation that the weekly trade stocks report would show a build-up. The soyabean complex was mixed with scattered support on dry conditions in Brazil and weak product demand restraining values on the upside. The grains were mixed as uncertainty over the Farm Programme limited interest.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	54.30	—	—	54.45
Feb	54.40	—	—	54.40
March	54.85	54.95	54.65	55.00
May	55.20	55.30	55.05	55.35
July	55.65	55.80	55.60	55.85
Sept	56.15	—	—	56.35
Dec	56.90	—	—	57.10
Jan	57.15	—	—	57.35

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	325.2	326.0	322.2	322.0
May	286.4	288.0	284.0	285.2
July	268.4	271.4	266.0	269.2
Sept	270.4	273.4	269.0	270.4
Dec	282.0	282.6	280.0	282.0
March	285.2	—	—	285.2

SPOT PRICES—Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 618.5 (619.5) cents per troy ounce.

POTATOES

The market was quiet, moving higher in early trade and staying reasonably steady throughout the day to close near the highs, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	74.80	74.00	—
Apr	91.80	90.20	92.80-90.80
May	98.90	97.00	98.00-96.60
Nov	76.30	77.80	—
Feb	84.10	84.50	—

Sales: 215 (503) lots of 40 tonnes.

SOYABEAN MEAL

The market opened 50p easier in lacklustre trade, reports T. G. Roddick. Prices remained static throughout the day.

	Yesterday close	+ or —	Business Done
	£ per tonne		
Feb	152.0-158.0	+1.00	—
Apr	158.8-158.4	—1.00	158.5-158.0
June	154.1-154.4	—1.05	154.8
August	152.8-152.8	—1.45	—
October	133.5-154.9	—1.00	—
Dec	154.0-154.5	—0.80	—
Feb	154.5-156.0	—0.75	—

Sales: 127 (308) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $137.50 (£97.50), up $3.50 (up 50p) a tonne for January-February delivery.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	154.4-154.6	154.4-154.5	157.8-152.8
May	161.4-161.8	161.8-162.8	164.8-158.8
Aug	169.0-170.0	168.2-168.6	170.8-169.4
Oct	176.6-174.4	174.3-175.8	—

Sales: 2,530 (3,553) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £200.50 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for January27: Daily price 5.22 (5.30): 15-day average 4.72 (4.70).

PARIS—(FFr per tonne): Mar 1340/1343, May 1365/1369, Aug 1400/1410, Oct 1450/1460, Dec 1470/1490, Mar 1540/1550.

OIL

All products opened firm, following a late rally on futures on Monday, stronger crude and prompt short-covering demand. Brent firmed overnight, weakened slightly late morning, firmed again early afternoon then weakened gradually to close 50-75c down on the day's trading. Nymex WTI opened 27c up for March but traded 38c down at 1.30 pm EST—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Feb.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	20.00-20.10	—0.05
Brent Blend	19.50-19.60	+0.55
W.T.I. (1pm est)	20.70-20.90*	+0.55
Forcados (Nigeria)	19.90-20.00	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	205-210	—1
Gas Oil	194-196	+7.5
Heavy fuel oil	98-100	+6
Naphtha	200-203	+9

* March

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or —	Business Done
	$ U.S. per tonne		
Feb	194.50	+7.00	205.00-94.00
Mar	187.00	+5.50	196.50-85.50
Apr	180.25	+4.25	191.25-78.00
May	176.00	+2.50	186.00-78.00
June	174.25	+1.50	185.00-74.25
July	176.75	+5.25	181.00-76.75
Aug	177.25	+1.25	177.25
Sep	177.25	—1.25	—

Turnover: 4,775 (3,553) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel. (Close, change, business done): Index 18.72, —0.05: Mar 19.60-19.70, +0.63, 20.20-18.80; Apr 19.60-20.20, +0.65, 19.50-18.80; May 19.60-20.40; Jun 19.40-20.40.

Turnover: 10 (35) lots of 1,000 barrels.

EEC grant for Bath University project

THE EEC Commission has awarded a £1m grant to Bath University's social policy group to evaluate the commission's £15m programme of pilot social welfare projects aimed at tackling poverty in Europe.

The grant—one of the largest single grants awarded to a British University—will be used to monitor and analyse 61 projects throughout Europe.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling confidence boosted

The pound rose sharply in currency markets yesterday following Monday's emergency debate on the Westland affair and a majority feeling that Mrs Margaret Thatcher had survived reasonably unscathed. A dissipation of market tension and recovery in oil prices helped sterling to reach a high of $1.4155 against the dollar and 75.2 on its exchange rate index.

The pound did not end at the day's highs but was still well up from Monday's close to finish at 74.7 compared with an opening of 74.2 and 73.7 on Monday night. Against the dollar it finished at $1.4095-1.4105, a rise of 1.85 cents and DM 3.3820 against the D-mark, up from DM 3.3375. Elsewhere it rose to Y275.75 from Y272.25, SFr 2.8650 from SFr 2.8300 and FFr 10.38 from FFr 10.2475.

The dollar finished towards the day's highs, having spent a rather quiet and uneventful morning confined to fairly narrow range. It was pushed a little higher in the afternoon but failed to attract much support with most people waiting for a cut in the Japanese discount rate and the implications of a possible reduction in the US discount rate. Despite finishing just over 1 pfennig up from the day's low, the dollar was still slightly down from Monday's close at DM 2.3970 compared with DM 2.3980. Against the yen it fell to Y195.60 from Y195.70 and SFr 2.0320 from SFr 2.0335. It closed at FFr 7.3625 from FFr 7.3650 against the French franc. On Bank of England figures, the dollar's exchange rate index fell to 123.9 from 124.1.

£ IN NEW YORK

Closing Rates	Jan. 28	Prev. close
£ Spot	$1.4035-1.4045	$1.3965-1.3975
1 month	0.53-0.50pm	0.54-0.52pm
3 months	1.58-1.54pm	1.69-1.66pm
12 months	5.30-5.20pm	5.53-5.45pm

Forward premiums and discounts apply to the U.S. dollar

D-MARK — Trading range against the dollar in 1985-86 is 3.4510 to 2.3970. December average 2.5120. Exchange rate index 132.8 against 124.4 six months ago.

The D-mark was underpinned by record West German trade figures in Frankfurt yesterday and improved slightly against the dollar. Speculation of a reduction in the West German discount rate failed to have any effect since there was similar speculation surrounding Japanese and US discount rates. The dollar closed at DM 2.3985 down from DM 2.4012. Earlier in the day it had been fixed at DM 2.4026 compared with DM 2.3985 and there was no intervention by the Bundesbank. Sterling improved as political tension eased after last night's debate on Westland while oil prices were a little firmer. Elsewhere the Belgian franc remained weak, trading close to its floor level against the D-mark.

JAPANESE YEN — Trading range against the dollar in 1985-86 is 263.15 to 195.60. December average 202.747. Exchange rate index 180.5 against 157.4 six months ago.

The yen was a little firmer against the dollar in Tokyo. The US unit closed at Y195.40 compared with an opening level of Y195.35 and Monday's close of Y195.70. It touched a best level of Y196.05 on an announcement that the Bank of Japan would make a decision today on the timing of a possible discount rate cut. However, the dollar's failure to improve and hold on to its gains highlighted the market's underlying bearish mood over the dollar.

POUND SPOT—FORWARD AGAINST POUND

Jan 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.3915-1.4155	1.4095-1.4105	0.51-0.48c pm	4.28	1.57-1.52pm	4.38
Canada	1.9950-2.0015	1.9970-2.0000	0.29-0.21c pm	1.50	0.98-0.83pm	1.81
Nethlnd.	3.79-3.83¼	3.82¼-3.83¼	2⅛-1⅞c pm	6.27	6½-6¼pm	6.80
Belgium	68.73-69.35	69.25-69.35	14-6c pm	1.73	34-20pm	1.56
Denmark	12.37¾-12.48	12.47-12.48	4-3¼ore pm	3.48	11½-10⅛pm	3.57
Ireland	1.1050-1.1210	1.1150-1.1160	0.08-0.28p dis	−1.94	0.44-0.95dis	−2.49
W. Ger.	3.33⅞-3.39½	3.37½-3.38½	2⅛-2pf pm	7.54	6⅞-6⅜pm	7.77
Portugal	218¾-220½	218¾-220¼	125-425c dis	−15.03	295-1105dis	−12.76
Spain	211.30-212.90	212.60-212.90	30c pm-10 dis	−0.56	50pm-65dis	−0.14
Italy	2274½-2303¼	2302¼-2303¼	8-14 lire dis	−5.73	28-38dis	−5.58
Norway	10.48-10.55¾	10.54¾-10.55¼	½-¾ore dis	−0.38	par-¾dis	−0.14
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 70.15-70.25. Six-month forward dollar 3.05-3.00c pm. 12-month 5.35-5.20c pm.

CURRENCY MOVEMENTS

Jan. 28	Bank of England Index	Morgan Guaranty Change %
Sterling	74.7	−15.7
U.S. dollar	123.9	+14.2
Canadian dollar	78.7	−13.1
Austrian schilling	123.7	+6.7
Belgian franc	93.5	−8.7
Danish Kroner	84.1	−2.1
Deutsche mark	132.8	+13.1
Swiss franc	151.9	+12.6
Guilder	121.8	+7.9
French franc	70.8	−10.8
Lira	48.8	−18.5
Yen	190.5	+32.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Jan 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 49.75-49.85.

OTHER CURRENCIES

Jan 28	£	$
[illegible]	[illegible]	[illegible]

* Selling Rate. † Correction (Jan 27): NZ—£ Rate was 2.5810-2.6010.

EXCHANGE CROSS RATES

Jan 28	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Jan. 28	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
[illegible]						

Long-term Eurodollars: two years 8$^{11}/_{16}$-8$^{9}/_{16}$ per cent; three years 8⅞-8¾ per cent; four years 9⅛-8⅞ per cent; five years 9¼-9⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FINANCIAL FUTURES

Too much good news

Sterling denominated interest rate contracts suffered from a surfeit of good news at the opening of trading on the London International Financial Futures Exchange yesterday. After a sharp upward movement at the start, prices drifted down, partly on profit taking, and the long gilt contract for March delivery closed only slightly above the day's low. Prices were still above the previous settlement however in both gilt futures, and three-month sterling.

Dealers commented that as well as the restoration of some confidence, following the result of Monday's emergency debate on the Westland affair in the Commons, the market was also boosted by expectations that the Japanese discount rate will be cut by ½ per cent to 4½ per cent today; an overnight rally in the US bond market; a rise in the value of sterling; a fall in London money market rates; and a recovery in North Sea oil prices to around $20 a barrel.

This news produced an overreaction however, and although March long gilts touched a peak of 109-06, compared with Monday's close of 108-04, the final price of 108-18 was only slightly above the low of 108-17.

Dollar contracts also rose, but trading was a little nervous ahead of last night's State of the Union message by President Reagan; today's announcement of the next Treasury auctions package, scheduled for next week; and figures on US leading indicators and merchandise trade due for publication tomorrow. The expected cut in the Japanese discount rate helped sentiment, although the relatively high level of Federal funds in New York was a restraint on the market, with Eurodollar futures finishing around the middle of a narrow range, and bond futures closing fairly near the day's low. But both contracts were above the previous closing levels.

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	108-18	109-06	108-17	108-04
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume 5,384 (2,401). Previous day's open int. 7,086 (6,873). Basis quote (clean cash price of 13¾% Treasury 2004/08 less equivalent price of near futures contract) −8 to −3 (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
[illegible]				

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
[illegible]				

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
[illegible]				

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
[illegible]				

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last March	June	Sept	Vol	Puts—Last March	June	Sept	Vol
[illegible]								

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
[illegible]										

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
[illegible]										

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
[illegible]										

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4100	1.4050	1.3945	1.3796	1.3573

IMM—STERLING Se per £

	Latest	High	Low	Prev
[illegible]				

LIFFE — STERLING £25,000 $ per £

	Close	High	Low	Prev
[illegible]				

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
[illegible]				

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
[illegible]				

CHICAGO

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]				

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]				

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]				

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]				

CURRENCY RATES

Jan. 27	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]			

*CS/SDR rate for January 27: 1.58291.

STERLING INDEX

	Jan 28	Previous
8.30 am	74.2	73.4
9.00 am	74.5	73.4
10.00 am	74.8	73.4
11.00 am	75.1	73.2
Noon	75.2	73.6
1.00 pm	75.1	73.5
2.00 pm	75.1	73.6
3.00 pm	74.7	73.6
4.00 pm	74.7	73.7

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	1520.60	1476.28	−2.91	−2.01	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

Confidence partly restored

Interest rates continued to fall on the London money market yesterday, as confidence was at least partially restored, after the outcome of Monday's emergency debate on the Westland leak in the Commons. Dealers pointed out, however, that there was still no solution to the market's other fears about the level of UK bank lending and money supply growth, and the effect on sterling of lower world oil prices. The price of North Sea crude rose to around $20 a barrel yesterday, but there is continued nervousness about Opec meetings expected to take place during the next month or so, including a meeting in Vienna next Monday. There is also concern that next Tuesday's bank lending and M3 money supply figures will be discouraging.

Three-month interbank fell to 12¾-12⅝ per cent from 12⅞-13 per cent, while discount houses buying rates for three-month bank bills declined to 12½-12$^{7}/_{16}$ per cent from 12⅝ per cent.

The Bank of England initially forecast a money market shortage of around £100m, but revised this to £300m at noon, to £350m after lunch, and back to £300m later in the afternoon.

Total help on the day was £200m. Before lunch the authorities bought £60m bank bills in band 4 at 12$^{7}/_{16}$ per cent. In the afternoon another £70m bills were purchased, by way of £5m local authority bills in band 1 at 12⅝ per cent; £27m bank bills in band 1 at 12⅝ per cent; £10m bank bills in band 2 at 12$^{9}/_{16}$ per cent; and £28m bank bills in band 4 at 12$^{7}/_{16}$ per cent.

Late assistance of around £70m was also provided.

The main factors draining liquidity from the market were: bills maturing in official hands of £112m, and Exchequer transactions of £75m. These outweighed a fall in the note circulation of £65m, and bank balances above target by £5m.

In Frankfurt call money rose to 4.70 per cent from 4.60 per cent and tight money market conditions led to quotes as high as 4.90 per cent. End of month pension payments was the main reason for the shortage of funds, and resulted in the Bundesbank adding temporary liquidity to the banking system. Banks were offered currency swaps by the central bank, until next Monday, at an effective rate of 4.50 per cent. Although there is no expectations of an early cut in the German discount or Lombard rates, speculation the Bank of Japan will cut its discount rate by ½ per cent to 4½ per cent this week, is likely to make the German authorities reluctant to allow rates to rise. The strength of the D-mark, at the top of the European Monetary System, is beginning to put pressure on the weaker members.

UK clearing banks base lending rate 12½ per cent since January 9

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	7$^{11}/_{16}$
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	6.43
Two month	6.93
Three month	7.14
Six month	7.39
One year	7.60
Two year	8.02
Three year	8.23
Four year	8.40
Five year	8.54
Seven year	8.80
10 year	9.07
30 year	9.34

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 28) Three months U.S. dollars		Six months U.S. dollars	
bid 7 15/16	offer 8 1/16	bid 8	offer 8 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust

LONDON MONEY RATES

Jan. 28	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-20	11½-12⅜	12$^{11}/_{16}$-12¾	12$^{11}/_{16}$-12$^{13}/_{16}$	12⅝-12⅞	12$^{7}/_{16}$-12¾
Sterling CDs	—	—	12⅝-12¾	12⅝-12¾	12½-12⅜	12⅜-12½
Local Authority Depos	11-11⅛	11¼-11⅝	12⅞	12¾	12$^{11}/_{16}$	12½
Local Authority Bonds	10-12	11¼-11⅛	13	13	12⅞	12⅝
Discount Mkt Depos	—	—	12⅞	12½	—	—
Company Depos	10⅝-11½	11⅝-12¼	12¾-12⅞	13	—	—
Finance Hse Depos	—	—	12⅞	12¾	—	—
Treasury Bills (Buy)	—	—	12⅝	12¼	—	—
Bank Bills (Buy)	—	—	12⅝-12$^{9}/_{16}$	12½-12$^{7}/_{16}$	12$^{5}/_{16}$-12⅛	—
Fine Trade Bills (Buy)	—	—	13	12⅞	12½	—
Dollar CDs	—	—	7.85-7.90	7.85-7.90	7.85-7.90	8.10-8.15
SDR Linked Depos	—	—	7⅞-8⅛	8⅛-8⅜	8⅛-8⅜	8-8¼
ECU Depos	—	—	9⅝-9½	9¾-9⅞	9⅜-9¾	9$^{5}/_{16}$-9$^{7}/_{16}$

Treasury Bills (sell): one-month 12 per cent; three months 12¼ per cent. Bank Bills (sell): one-month 12$^{9}/_{16}$-12$^{9}/_{16}$ per cent; three months 12$^{5}/_{16}$ per cent. Treasury Bills: Average tender rate at discount —— per cent. ECGD Fixed Finance Scheme IV reference date December 4 to January 7 (inclusive): 11.838 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed Finance Houses Base Rate 12 per cent from January 1 1986. Bank Deposit Rates for sums at seven days' notice 6¾-6⅝ per cent. Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 12 per cent; one-three months 12½ per cent; three-six months 12¼ per cent; six-nine months 12⅛ per cent; nine-12 months 12⅛ per cent. Under £100,000 11⅞ per cent from January 14. Deposits held under Series 5 11⅛ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Jan. 28	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.65-4.75	4.60-4.75	4.60-4.65	4.65-4.70	4.65-4.70	5.5
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Legal Notices

No. 008526 of 1985

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF RILEY LEISURE PLC AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 17th December 1985 presented to Her Majesty's High Court of Justice for the confirmation of the Reduction of the Share Premium Account of the above-named Company from £4,464,839.19 to £3,330,581.19.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Harman at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 3rd day of February 1986.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 29th day of January 1986

SIMMONS & SIMMONS, 14 Dominion Street, London EC2M 2RJ. Solicitors for the above-named Company.

Company Notices

NATIONAL BANK OF HUNGARY

US$100,000,000 FLOATING RATE NOTES DUE 2000 (Coupon No. 3)

PURSUANT TO NOTE CONDITIONS, NOTICE IS HEREBY GIVEN that for the interest period from 29th January 1986 to 29th July 1986 an interest rate of 8⅞ per cent per annum will apply. Amount per coupon US$439.93 payable on 29th July 1986.

Reference Agent THE LONG-TERM CREDIT BANK OF JAPAN, LTD. London Branch

JOINT COMPANY ANNOUNCEMENT

FREE STATE GEDULD MINES LIMITED (FSG)
(Registration No. 05/26324/06)

PRESIDENT BRAND GOLD MINING COMPANY LIMITED (BRAND)
(Registration No. 05/32680/06)

PRESIDENT STEYN GOLD MINING COMPANY LIMITED (STEYN)
(Registration No. 05/28210/06)

WESTERN HOLDINGS LIMITED (WEST HOLD)
(Registration No. 05/09266/06)

WELKOM GOLD MINING COMPANY LIMITED (WELKOM)
(Registration No. 05/24464/06)

(All of which are incorporated in the Republic of South Africa)
(the first four companies being referred to as "the Scheme Companies")

SCHEMES OF ARRANGEMENT AND CHANGES OF NAMES OF STEYN AND WELKOM, ALTERATIONS TO CAPITALS

Members of the companies will recall that scheme meetings were convened at hourly intervals commencing at 09h30 on January 28 1986. The first scheme meeting was that to consider the Scheme of Arrangement between FSG and its members. As there was insufficient time available before the appointed hour for the immediately following scheme meeting, and to afford a reasonable opportunity to do so, the scheme meeting of FSG was, on the motion of a member, supported by a large majority of members present, adjourned until 09h00 on February 11 1986 at the same venue, namely 44 Main Street, Johannesburg.

The general meeting of FSG to consider resolutions to give effect to the FSG Schemes meeting was not held because it was convened to be held immediately after the conclusion of the FSG Scheme meeting which was adjourned. Accordingly, that general meeting will be held immediately following the conclusion of the adjourned FSG Scheme meeting.

At the scheme meetings of Brand, Steyn and West Hold held on the same day in terms of Orders of the Supreme Court of South Africa (Witwatersrand Local Division) (the Court) shareholders approved the Schemes of Arrangement (the Schemes) in terms whereof it is proposed that:

(i) FSG, Brand and West Hold will become wholly-owned, directly or indirectly, by Freegold, which in turn will become held as to not less than 50 per cent by Orange Free State Investments Limited;

(ii) FSG and Brand shareholders will become shareholders in Freegold and Ofsil and where so elected in Welkom;

(iii) West Hold shareholders will become shareholders in Ofsil and where so elected in Freegold;

(iv) Freegold (Steyn) shareholders will also become shareholders in Ofsil and where so elected in Welkom.

At the general meeting of Steyn held on January 28 1986, shareholders approved the change of the company's name to Free State Consolidated Gold Mines Limited (Freegold), subject to all of the Schemes of Arrangement becoming operative.

At the Steyn meeting and at separate meetings of Brand and West Hold held on the same day, the respective shareholders of these companies also approved, without modification, the other special and ordinary resolutions proposed at those meetings. These resolutions related, inter alia, to the increase of the companies' share capitals and the capitalisation of their share premium accounts and/or portions of their distributive reserves.

The shareholders of Welkom at a general meeting also held on January 28 1986 approved, inter alia, the change of its name to Welkom Gold Holdings Limited, the increase of its share capital, the disposal by Welkom of its existing holding of 6 838 000 West Hold ordinary shares and the renunciation by Welkom of its right to 683 800 000 West Hold A ordinary shares in exchange for the issue to Welkom of 6 838 000 Ofsil shares. It is expected that the resolutions relating to all the companies will become operative on February 24 1986.

In consequence of the adjournment of the FSG Scheme meeting it is proposed to request the Court on February 4 1986 to fix February 18 1986 for the purpose of receiving reports on the results of the Scheme meetings at which time the Court will be moved to sanction the Schemes of Arrangement if the FSG Scheme is approved by the requisite majority of its members.

The election and surrender forms sent to shareholders provide that any election is irrevocable. In view of the extension of the expected operative date referred to in the Scheme documents it has been decided to allow members who have made an election the right to withdraw their elections should they so desire. Any member wishing to withdraw his election should do so in writing (for which purpose a certified telex will be acceptable) addressed to Consolidated Share Registrars in Johannesburg or Hill Samuel Registrars in London to be received by not later than 16h00 on January 31 1986.

If the Court sanctions the Schemes then the salient dates relative to the Schemes will be as follows:

(a) For shareholders wishing to exercise their rights of election, the last day for the return of election/surrender forms will be January 31 1986.

(b) THE RECORD DATE in respect of each scheme, i.e. the date on which:

(i) dealings in and the listings of the shares of FSG, Brand and West Hold on The Johannesburg Stock Exchange and The Stock Exchange in London will cease; and

(ii) the registers of the Scheme Companies will close to determine to whom Freegold and Ofsil shares and/or Welkom shares will be allotted and who will be entitled to cash payments arising on the sale of fractional entitlements;

(iii) the register of Steyn will close in order to determine the persons in whose names the Freegold shares will be issued in substitution for their Steyn shares;

will be the close of business on February 21 1986.

(c) THE OPERATIVE DATE in respect of each scheme, i.e. the date on which:

(i) the Schemes will become operative, and

(ii) the listings on The Johannesburg Stock Exchange and the Stock Exchange in London for the Freegold and Ofsil shares allotted to give effect to the Schemes are expected to commence;

(iii) the change of name of Steyn to Freegold will become effective;

will be February 24 1986.

Shareholders of the Scheme Companies will be informed of any change in any of the above dates.

Cheques in respect of fractional entitlements will be posted to shareholders entitled thereto on March 7 1986 and Freegold, Ofsil and/or Welkom share certificates, where the Scheme Companies' share certificates or other documents of title are surrendered before the operative date, will be posted on March 7 1986 or within 7 days of receipt thereof in respect of surrenders after the operative date except that no documents shall be posted before March 7 1986.

In view of the FSG scheme meeting adjournment, the reports of the individual Scheme Companies for the quarter ended December 31 1985 will be published within the next few days.

Copies of this announcement are being posted to members.

Johannesburg
January 29 1986

AAC

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

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LOANS

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CANADIANS

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INDUSTRIALS—Continued

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MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1985/86 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
120	48	♥Colby Res Corp	65	+5	—	—	—
550	175	Cons. Murch. 10c	380		♣Q80c	3.9	‡
40	24	♣Essex Int. Ir10p	30		—	—	—
123	70	Greenwich Res	75		—	—	—
215	115	Hampton Areas 10p	130		3.75	0.9	3.9
260	135	♥Highwood Res.	185		—	—	—
£22½	£15¼	Homestake Mining $1	£18¼	–¼	Q20c	—	—
310	155	♥McFinley Red Lake	218	–10	—	—	—
335	195	♥Mutio Explorations	240	–5	—	—	—
55	23	♥New Sabina Res C$1	45		—	—	—
375	195	Northgate C$1	255	–5	—	—	—
685	507	RTZ	570	–7	†20.0	2.8	5.0
£145½	£114½	Do. 9¼pc Ln '95-2000	£127	–1	Q9¼%	14.0	(7.5
980	800	♥Tara Expln $1	850	–25	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

● "Tap Stock".
• Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
† Interim since increased or resumed.
‡ Interim since reduced, passed or deferred.
‡‡ Tax-free to non-residents on application.
Φ Figures or report awaited.
♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Dealt in under Rule 535(3).
¢ Price at time of suspension.
▪ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
◆ Merger bid or reorganisation in progress.
♦ Not comparable.
♠ Same interim; reduced final and/or reduced earnings indicated.
♦ Forecast dividend; cover on earnings updated by latest interim statement.
† Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
♭ No par value.

B Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	102	
Craig & Rose £1	850	
Finlay Pkg. 5p	45	
Holt (Jos) 25p	720	
IoM Stm £1	52	

IRISH

Stock	Price	+ or –
Fund 11¼% 1988	£97½	
Nat. 9¾% 84/89	£93	+¼
Fin. 13% 97/02	£104¼	+¼
Arnott	230	
CPI Hldgs	56	
Carrol Inds.	145xd	–1
Dublin Gas	55	
Hall (R. & H.)	55	
Heiton Hldgs.	20½	–½
Irish Ropes	49	+2
Unidare	130	

"Recent Issues" and "Rights" Page 36
(International Edition Page 36)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan 13	Jan 23	Jan 24	Feb 3
Jan 27	Feb 6	Feb 7	Feb 17
Feb 10	Feb 20	Feb 21	Mar 3

* "New-time" dealings may take place from 9.30 am two business days earlier.

Late burst of optimism sweeps equity index to record high

A burst of optimism late in the session yesterday swept London equities to record levels. Investment confidence was strong throughout but the FT Ordinary Share Index had baulked at the previous high of 1149.6 before resuming its advance. News of a good early trend on Wall Street encouraged the late support and during the after-hours' trade in London the index went higher still to close 16 points up at a best-ever 1155.4. The FT-SE 100 Share Index also rose sharply to end 21.3 higher at 1426.3.

The factors responsible for the show of strength were again improving oil prices and a further easing in commercial rates for credit. Three-months interbank dropped back to 12¼ per cent which is consistent with the current 12½ per cent level of bank base rates. Another helpful influence was the removal of political uncertainties following the strong support for the Prime Minister at the end of Monday's House of Commons debate on the Westland affair.

US buying of selected blue chip issues was again evident and, despite a firmer pound, domestic institutional inquiries continued for certain international stocks. Over the broader market scene, the chief feature was a revived and widespread demand for secondary industrials. Takeover speculation showed little sign of slowing and several new names were added to the list of market favourites.

Sterling's better performance against both the dollar and the Deutsche Mark diverted attention to Gilt-edged securities. Demand built up from the outset and following news of last month's good balance of payments surplus the authorities were tested for stock. The Government broker had, after some delay, supplied the long tap stock, Treasury 10 per cent 2002, at 35¼ late the previous evening. Yesterday he rejected a bid of 35¼ and later announced the exhaustion of official supplies at 35⅜.

Longer-dated Gilts then began to drift away from the highest levels and gains of 1¼ points were finally pared to a point. Diminishing interest rate pressures boosted the shorts, which rose ⅜ in places, but index-linked stocks were less favoured than recently. Small losses, however, were erased and in the later stages one or two issues managed to improve.

Insurances good

Insurances closed firmer throughout. Lloyds Brokers, well supported of late on consideration of their substantial dollar earnings potential, made further good progress. Stewart Wrightson advanced 18 afresh to 773p and Howard firmed 10 to 300p, while Steel Burrill rose 8 to 240p. Minet put on 7 at 268p as did Sedgwick, at 377p.

Static throughout the "house" session, Midland edged forward a few pence to 436p awaiting after-hours trading news from its US subsidiary, Crocker National. Barclays rose 6 to 458p and NatWest hardened a couple of pence to 698p.

Breweries highlighted Greenall Whitley which advanced 8 to 185p, after 191p following a broker's visit.

Leading Buildings replied strongly to revived institutional buying as interest rate worries subsided. Tarmac were outstanding and closed 18 higher at the day's best of 374p, while RMC rose 12 to 484p and BPB gained 13 to 345p. Redland moved up 9 to 367p. Several bright features emerged among secondary issues with Heywood Williams 12 to the good at 162p following speculative buying. Henderson Group put on 13 to 240p and Derek Crouch gained 8 to 146p. Finlan firmed 5 to 65p in response to the improved interim profits and confident statement.

ICI continued to trade firmly and touched 801p prior to closing 5 dearer at 798p.

Stores close at best

Leading retailers took Monday's rally a stage further and displayed numerous double-figure rises. Burton were to the fore and advanced 22 to 530p, while W. H. Smith A, due to reveal interim figures today, improved a like amount to 284p. Gussies A, buoyant on Monday following favourable comment, rose 10 more to 767p, while merger partners Habitat Mothercare, 433p, and British Home Stores, 315p, put on 18 and 7 respectively. Woolworth closed 17 higher at 467p, while Dixons rose 29 to 950p. Mail-orders participated in the upturn with Freemans and Grattan up 16 apiece to the common level of 342p. NSS Newsagents, a recent takeover favourite, advanced 10 to 142p as D. C. Thompson increased its holding to 7.86 per cent.

Racal eased to 166p after the poor first-half profits, but rallied on the efforts of one large buyer to end the session 10 up on balance at 180p. British Telecom, still reflecting relief that its bid for Mitel of Canada had escaped a Monopolies Commission reference, firmed 4 to 185; Mitel lost 23 at 392p. Speculative buying accompanied by vague takeover rumours helped Thorn EMI advance 12 to 389p, after 392p, while BICC put on 7 afresh at 275p. Elsewhere, rumours of a pending bid from Cable and Wireless lifted Telephone Rentals 10 to 190p, and speculative demand left Volex 10 to the good at 238p. Cray Electronic responded to the impressive interim figures and proposed £13.2m rights-issue with a jump of 23 to 293p. The Wood Mackenzie forecast that sales of home computers would rise significantly continued to fuel demand for computer stocks. Amstrad rose 14 more to 232p and Acorn put on 10 to 106p.

Engineers, and particularly the secondary issues, enjoyed a firm trading session. Interest broadened considerably and resulted in a number of noteworthy movements. Burgess Products were outstanding at 160p, up 22p, in response to news of the proposed acquisition of ATCO Controls of Ontario, Canada. Glynwed continued to make progress and put on 13 more to 276p, while Simon rose 10 to 190p and Delta gained 5 further to 184p. RHP firmed 7 to 137p following the chairman's statement at the annual meeting. Birmid Qualcast put on 6 to 97p, while talk of a stake changing hands left Frederick Cooper a further 5 up at 40p. Wellman were the subject of a burst of speculative activity which left the quotation 3 dearer at 18½p.

Among Foods, Tate and Lyle revived strongly and closed 12 higher at 542p while United Biscuits gained the same amount to 247p following renewed speculative buying. Among Retailers, Tesco continued to attract support and rose 9 to 282p, a two-day advance of 14. J. Sainsbury were 6 better at 354p and Dee Corporation 5 dearer at 250p. Argyll moved up 6 to 353p and Hillards rallied 5 to 175p; the latter on second thoughts about the interim results. Albert Fisher gained 9 to 167p on speculative buying. Elsewhere, recently-dull Avana revived with a gain of 15 at 583p, but Meat Trade Suppliers softened a couple of pence to 103p following the disappointing half-year figures.

Grand Metropolitan were finally 7 higher at 388p and Trusthouse Forte 2 better at 151p. Ladbroke attracted late support to close 6 firmer at 323p. Dealings in Inn Leisure and J. A. Devenish resumed following details of an agreed merger to be effected by a £30m offer for Inn Leisure from Devenish; dealings in Inn Leisure resumed at 113p and the price quickly raced ahead to touch 136p before settling a net 15 higher at 131p. Devenish restarted at 650p compared with the suspension price of 645p and closed at 770p, up 125.

Beecham up late

Inclined easier initially, Beecham gradually recovered before moving ahead smartly in the late dealings amid a revival of takeover speculation to close 11 up on the day at 366p. Glaxo, helped by US demand, pushed ahead further and closed 35 up at 865p. BOC gained 8 to 290p, while Reed International put on 17 to 672p and Metal Box rose 13 more to 605p. Elsewhere in the miscellaneous industrial sector, Cowan de Groot came to life after-hours', closing 14 higher at 65p on news that Powderplan Securities, controlled by Philip Birch and David De Carle of the Ward White Group, had acquired a 19.5 per cent stake in Cowan. Bid speculation left Redfearn 18 to the good at 148p and Parker Knoll A 16 up at 262p, while European Ferries also the subject of takeover hopes, advanced 9½ to 152p. Marley touched 109p on hopes of news on the sale of Payless before closing 4 better on the day at 106p. Bowater met with demand and put on 16 to 283p along with Turner and Newall which rose 8 to 140p. Still reflecting newsletter comment, Stainless Metalcraft firmed 5 more to 107p. The success of the rights issue prompted fresh strength in Unigroup, up 10 at 118p, while comment on the preliminary figures prompted renewed firmness in Blue Arrow which gained 6 further to 241p.

Casino group Aspinall gained 15 to 174p on speculation about a bid from Pleasurama, also 15 higher at 300p.

Jaguar, supported on Monday reflecting currency considerations, responded to fresh demand from the US and advanced to a new 1985-86 peak of 386p before closing a net 13 to the good at 379p. Motor Components continued to make progress with Automotive Products, in receipt of an agreed bid from BBA, another 9 dearer at 179p, after 181p; BBA hardened 7 more to 182p. AE rose 7 to 153p, while Armstrong Equipment put on a couple of pence to 90p. Lucas, on the other hand, dipped 12 to 496p reflecting the liquidation of speculative positions.

Among Publishers, News International rose 50 to 660p following Press comment. Paper/Printings attracted useful support across the board. British Printing and Communication improved 8 to 214p.

Properties attracted persistent demand and closed with widespread gains. Among the leaders, Land Securities and MEPC both rose 11, to 293p and 291p respectively. Elsewhere, London and Edinburgh attracted fresh demand and rose 25 to 485p, while Regalian gained 15 to 340p. Capara Properties, still reflecting a newsletter recommendation, put on 6 more to 60p, while Mountview Estates hardened 5 to 270p on news that TR Property Investment Trust had increased its stake to 7.4 per cent. London Shop Property added 3 to 164p following the interim results accompanied by a £18.6m rights issue.

P & O Deferred attracted a useful demand which continued after-hours, to leave the shares 20 higher at 460p.

Textiles continued to attract a fair measure of speculative attention in the wake of the proposed merger between Coats Patons and Dawson International, although the latter, rated a "short-term sell" by brokers de Zoete and Bevan, eased 4 for a two-day decline of 26 to 204p. Parkland A, a volatile market recently, advanced 7 to a new peak of 127p, while noteworthy rises were also seen in Burmatex, 4 to the good at 128p, and Textured Jersey, 6 better at 112p. Atkins Bros, up 30 on Monday following news of a bid approach from Lincroft Kilgour, encountered sporadic profit-taking and settled 10 cheaper at 178p.

Mercantile House revealed interim profits towards the top-end of market estimates but dipped 16 to 278p following the second-half profits warning. Other Financials, however, generally gained ground. MAI, currently bidding for Wagon Finance, hardened 5 to 330p, as did Exco International to 204p. Revived speculative demand saw London Merchant Securities 5 up at 65p and Aitken Hume another 3 to the good at 169, while the increased preliminary profits and dividend lifted Kellock Trust 4 to 47p.

Oils below best

Leading Oils attracted renewed buying interest following the latest improvements in crude oil prices. BP advanced to 591p before easing late to close a net 6 firmer at 583p, while Shell settled 4 up at 680p, after 686p. Gains ranging from 2 to 5 were common to Britoil, 202p, after 206p, LASMO, 188p, and Ultramar, 210p. Recently-dull Tricentrol revived with a 10 gain at 143p.

Golds easier

A lack-lustre showing by the bullion price and profit-taking ahead of the crucial speech by President P. W. Botha at the forthcoming opening of the South African Parliament on Friday led to a general decline in South African gold and related issues.

Bullion drifted easier from the outset and eventually settled a net $3.125 down at $352 an ounce. Golds performed similarly with persistent selling pressure only partly offset by a brief rally around midday. Interest in the sharemarket contracted as dealers awaited the outcome of the extraordinary meeting in Johannesburg at which the proposed terms of the merger of the Anglo American Corporation's Orange Free State gold mines were being deliberated. A decision on Free State Geduld's participation in the merger was deferred until a further meeting to be held on February 11. In the leading Golds Vaal Reefs and Southvaal retreated around £1½ apiece to £37⅞ and £29½ respectively while Western Holdings lost a point to £18¼ and Libanon ¼ to £13.

Australians were mixed despite the firm showing by overnight Sydney and Melbourne markets which reopened after the Australia Day holiday. Barrack Mines, 30 to the good at 195p, and Metramar, 4 firmer at 66p, responded to news of the deal with Asarco Australia.

Traded Options

A marked resurgence of enthusiasm for the FT-SE 100 index, which contributed 2,201 calls and 1,136 puts, boosted total contracts transacted in Traded Options to 18,062. Elsewhere, attention centred on takeover favourites, notably Beecham, which recorded 1,289 calls, 823 in the March 360's, Lucas, which attracted 1,188 calls. Good business showed interest in Jaguar and Racal which recorded 1,147 and 792 calls respectively.

FINANCIAL TIMES STOCK INDICES

	Jan. 28	Jan. 27	Jan. 24	Jan. 23	Jan. 22	Jan. 21	Year ago
Government Secs	81.15	80.61	80.74	80.46	80.58	80.56	78.40
Fixed Interest	87.16	86.70	86.76	86.55	86.66	86.71	82.48
Ordinary ♥	1155.4	1139.6	1125.3	1130.4	1123.6	1108.7	961.2
Gold Mines	347.9	357.0	337.8	324.3	335.3	341.2	445.1
Ord. Div. Yield	4.46	4.53	4.57	4.50	4.46	4.47	4.48
Earnings Yld. % (full)	10.86	11.01	10.71	10.77	10.77	10.94	11.19
P/E Ratio (net) (*)	11.47	11.30	11.59	11.53	11.58	11.34	10.73
Total bargains (Est.)	27,045	26,250	26,295	25,860	24,748	23,637	33,199
Equity turnover £m.	—	668.30	598.6	641.1	479.2	486.7	431.46
Equity bargains	—	25,673	27,606	24,947	23,526	22,155	23,533
Shares traded (mil)	—	273.7	323.1	309.3	307.2	215.6	212.1

♥ 10 am 1,148.3. 11 am 1,147.3. Noon 1,148.2. 1 pm 1,148.5. 2 pm 1,148.9. 3 pm 1,150.3. 4 pm 1,153.6. Day's High 1,155.6. Day's Low 1,144.3. Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. *Nil=11.03.

HIGHS AND LOWS — S.E. ACTIVITY

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Acorn Computer	105	+10
Amstrad	232	+14
Automotive Prods.	179	+9
BP	583	+6
Burton	530	+22
DRG	210	+8
Euro Ferries	152	+9½
Inn Leisure	131	+15
Jaguar	379	+13
Marley	106	+4
Racal Elects.	180	+10
Smith (W. H.) "A"	284	+22

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 25,091

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Renunciation date usually last day for dealing free of stamp duty.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	103	—	7
Industrials	522	187	839
Financial & Props	235	68	278
Oils	33	10	54
Plantations	4	1	13
Mines	30	28	57
Others	77	41	58
Totals	976	440	1,366

International, Prestwich, Sound Diffusion, STC, ASDA-MFI, Ratners (Jewellers), S. & W. Berisford, Spectrum, Norfolk Capital, Westland, Vosper, Beech Petroleum, S. R. Gent, Marley, Rentokil and McFinlay Red Lake. No puts were reported, but a double option was taken out in Acorn Computers.

NEW HIGHS AND LOWS FOR 1985/86

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan 20	Jan 31	Apr 24	May 6
Feb 3	Feb 14	May 8	May 19
Feb 17	Feb 28	May 22	June 2

For rate indications see end of Unit Trust Service

Call options were done in BSR International, Energy Capital, Jones Woodhead, Vaith Pollen

LONDON TRADED OPTIONS

January 28 Total contracts 18,062 Calls 13,332 Puts 4,730 *Underlying security price

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

GERMANY

NETHERLANDS

ITALY

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Prices at 2.30pm January 28

MONTREAL

Closing prices January 27

Total Sales 3,632,278 shares

F—No voting rights or restricted voting rights.

Indices

NEW YORK—DOW JONES

	Jan 28	Jan 27	Jan 24	Jan 23	Jan 22	Jan 21	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	1,545.18*	1,537.61	1,529.93	1,511.24	1,502.29	1,514.45	1565.71	1184.96	1567.71	41.22
Transport	747.86*	748.44	728.91	718.37	712.13	715.93	723.31	553.03	723.31	12.32
Utilities	173.22*	172.55	171.21	170.85	169.47	170.89	179.08	148.54	179.08	10.5

	Jan 15	Jan 8	Dec 31	Year Ago (Approx)
Ind div yield %	3.45	3.48	3.38	4.9
Ind. P/E Ratio	14.86	14.61	14.88	10.71
Long Gov Bond Yield	9.47	9.32	9.24	11.40

STANDARD AND POORS

							1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Composite	208.17*	207.39	206.43	204.24	203.49	205.79	213.80 (7/1/86)	163.68 (4/1/85)	213.80 (7/1/86)	4.40 (1/6/32)

N.Y.S.E. ALL COMMON

Jan 28	Jan 27	Jan 24	Jan 23	1985 High	1985 Low
120.31*	119.87	119.32	118.14	125.96 (16/12/85)	94.60 (4/1/85)

RISES AND FALLS

	Jan 27	Jan 24	Jan 23
Issues traded	2,008	1,994	2,008
Rises	960	1,136	798
Falls	651	448	750
Unchanged	397	410	460

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Ohio Ed	2,345,700	17	+ 1/8	Boeing	1,377,600	47 1/8	+ 1/2
Philips Pet	1,987,000	18 3/4	+ 1/8	Mid-Sa Util	1,338,600	11 3/8	+ 1/8
East Air	1,855,200	6 7/8	+ 3/8	CSX Corp	1,315,800	34 1/2	+ 1/2
Westg El	1,671,600	48 7/8	− 5/8	Morton Thio	1,286,580	34 1/4	− 2 3/4
ATT	1,425,500	22 7/8	− 1/8	Am Med Int	1,279,900	19 1/2	+ 7/8

Advances 958 Declines 628

TORONTO

	Jan 28	Jan 27	Jan 24	Jan 23	1985/86 High	1985/86 Low
Metals & Minls	2,237.9*	2,218.58	2,205.34	2,154.9	2258.7 (16/1/86)	1740.82 (31/10/85)
Composite	2,826.3*	2,827.81	2,818.1	2,773.3	2900.6 (31/12/85)	2348.5 (8/1/85)
MONTREAL Portfolio	138.84*	138.47	137.87	135.77	142.87 (17/12/85)	117.89 (4/1/85)

* Indicates pre-close figure

	Jan. 28	Jan. 27	Jan. 24	Jan. 23	1985-86 High	1985-86 Low
ITALY Banca Comm Ital. (1972)	468.77	456.66	454.67	(u)	489.47 (21/1/86)	228.59 (2/1/85)
JAPAN** Nikkei (16/5/49)	12995.7	12885.1	12904.2	12888.9	13136.9 (4/1/86)	11545.2 (5/1/85)
Tokyo SE New (4/1/68)	1041.25	1041.3	1031.15	1028.69	1057.56 (10/7)	913.33 (4/1/85)
NETHERLANDS ANP.CBS General (1970)	252.8	257.1	255.5	252.4	267.0 (9/1/86)	185.6 (3/1/85)
ANP.CBS Indust (1970)	243.5	248.5	248.5	245.4	255.3 (17/1/86)	147.9 (3/1/85)
NORWAY Oslo SE (4/1/83)	375.28	380.95	380.72	378.45	412.88 (12/11)	268.18 (2/1/85)
SINGAPORE Straits Times (30/12/66)	605.58	601.15	596.45	598.41	862.66 (7/3)	598.41 (23/1/86)
SOUTH AFRICA JSE Gold (28/9/78)	—	1307.9	1253.0	1257.1	1307.9 (27/1/86)	829.3 (5/8)
JSE Indust (28/9/78)	—	1071.8	1067.2	1085.1	1112.8 (9/1/86)	767.1 (7/3)
SPAIN Madrid SE (30/12/85)	108.15	108.78	109.86	110.01	115.11 (20/1/86)	100.0 (30/12/85)
SWEDEN Jacobson & P (31/12/56)	1765.86	1794.23	1765.56	1747.81	1907.23 (8/1/86)	1286.32 (9/7)
SWITZERLAND Swiss BankCpn (31/12/58)	575.1	585.5	581.1	580.3	525.3 (8/1/86)	388.7 (3/1/85)
WORLD M.S. Capital Intl. (1/1/70)	—	256.2	254.4	249.8	259.8 (7/1/86)	184.8 (4/1/85)

** Saturday January 25: Japan Nikkei 12,953.37. TSE 1.036.54.

Base value of all indices is 100, except: Brussels SE—1,000; JSE Gold—255.7; JSE Industrial 264.3; Australia All Ordinary and Metals—500; NYSE Composite—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c-Closed. u Unavailable.

NORTH AMERICAN QUARTERLY RESULTS

AMDAHL
Computers

Fourth quarter	1985 $	1984 $
Revenue	257.2m	227.4m
Net profits	9.4m	16.1m
Net per share	0.20	0.35
Year		
Revenue	862m	779.4m
Net profits	24.4m	36.4m
Net per share	0.51	0.80

APOLLO COMPUTER
Electronics

Fourth quarter	1985 $	1984 $
Revenue	70.7m	75.9m
Net profits	732,000	8.3m
Net per share	0.02	0.25
Year		
Revenue	295.6m	215.9m
Net profits	†11.5m	23.9m
Net per share	†0.04	0.75

† Loss

BAKER INTERNATIONAL
Drilling services

First quarter	1985-86 $	1984-85 $
Revenue	442.7m	469.8m
Net profits	16.3m	17.7m
Net per share	0.23	0.25

BRISTOL-MYERS
Drugs, toiletries

Fourth quarter	1985 $	1984 $
Revenue	1.01bn	1.1bn
Net profits	130.9m	117.7m
Net per share	0.95	0.86
Year		
Revenue	4.19bn	4.44bn
Net profits	531.3m	472.4m
Net per share	3.86	3.45

DOW JONES
Publishing

Fourth quarter	1985 $	1984 $
Revenue	278.7m	257.1m
Net profits	40.9m	34.4m
Net per share	0.63	0.54
Year		
Revenue	1.04bn	965.6m
Net profits	138.6m	129.1m
Net per share	2.15	2.01

HARRIS
Data processing equipment

Second quarter	1985-86 $	1984-85 $
Revenue	582.2m	585m
Net profits	14.5m	21.7m
Net per share	0.36	0.54
Six months		
Revenue	1.12bn	1.09bn
Net profits	27.4m	47m
Net per share	0.68	1.17

KIMBERLY-CLARK
Paper products

Fourth quarter	1985 $	1984 $
Revenue	1.05bn	918m
Net profits	53.6m	52.7m
Net per share	1.17	1.15
Year		
Revenue	4.07bn	3.61bn
Net profits	267.1m	225m
Net per share	5.84	4.94

LEAR SIEGLER
Aerospace, auto products

Second quarter	1985-86 $	1984-85 $
Revenue	599.1m	601.4m
Net profits	17.1m	23.1m
Net per share	0.92	1.27
Six months		
Revenue	1.13bn	1.14bn
Net profits	28.7m	41.3m
Net per share	1.55	2.27

MARTIN MARIETTA
Aerospace contractor

Fourth quarter	1985 $	1984 $
Revenue	1.2bn	1.11bn
Net profits	49.9m	33.9m
Net per share	0.89	0.57
Year		
Revenue	4.4bn	3.9bn
Net profits	249.4m	†191.8m
Net per share	4.36	—

† Loss reflects deficit from discontinued operations

OWENS-CORNING FIBERGLAS
Glass fibre products

Fourth quarter	1985 $	1984 $
Revenue	866.6m	755.9m
Net profits	44.1m	33.5m
Net per share	1.48	1.14
Year		
Revenue	3.3bn	3.02bn
Net profits	131.2m	113.9m
Net per share	4.42	3.87

PACIFIC GAS AND ELECTRIC
Utility

Fourth quarter	1985 $	1984 $
Revenue	2.07bn	2.11bn
Net profits	234.3m	241.3m
Net per share	0.58	0.63
Year		
Revenue	8.43bn	7.83bn
Net profits	1.03bn	974.9m
Net per share	2.65	2.62

PAINEWEBBER
Investment services

First quarter	1985-86 $	1984-85 $
Revenue	577.9m	452.7m
Net profits	14.1m	6m
Net per share	0.78	0.36

SONAT
Energy

Fourth quarter	1985 $	1984 $
Revenue	708.3m	646.3m
Net profits	†149.8m	7.2m
Net per share	†3.69	0.18
Year		
Revenue	2.55bn	2.62bn
Net profits	†60.1m	173.8m
Net per share	†1.48	4.30

† Loss 1985 net excludes $63m gain

TRANSCANADA PIPELINES
Energy transmission

Fourth quarter	1985 $	1984 $
Revenue	1.24bn	1.16bn
Net profits	†46.5m	55.7m
Net per share	—	0.47
Year		
Revenue	4.68bn	4.46bn
Net profits	162.5m	247.8m
Net per share	1.21	2.22

†Loss

TRANSWORLD
Hotels, food services

Fourth quarter	1985 $	1984 $
Revenue	854.7m	507.2m
Net profits	32.6m	26.6m
Net per share	0.74	0.66
Year		
Revenue	2.15bn	1.94bn
Net profits	104.8m	98.1m
Net per share	2.56	2.62

UNION PACIFIC
Railways

Fourth quarter	1985 $	1984 $
Revenue	2.05bn	1.91bn
Net profits	135.2m	128.3m
Net per share	1.13	1.05
Year		
Revenue	7.9bn	7.91bn
Net profits	501.2m	494.1m
Net per share	4.18	4.01

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 39

LONDON Chief price changes
(In pence unless otherwise indicated)

RISES

Tr 10% 1990	£94¾	+ 1⅝
Tr 12½ '03/05	£114¾	+ 1⅝
Acorn Computer	106	+ 10
Aspinall	174	+ 15
Automot Prods.	179	+ 9
Beecham	366	+ 11
Bowater Inds.	283	+ 16
Burgess Prods.	160	+ 22
Carless Capel	80	+ 10
Cowan de Groot	65	+ 14
Cray Elect	293	+ 23
Devenish (J.A.)	770	+ 125
Euro. Ferries	152	+ 9½
Glaxo	865	+ 35
Inn Leisure	131	+ 15
Jaguar	379	+ 13
Land Sec	293	+ 11
Parker Knoll A	395	+ 15
P & O Defd.	460	+ 20
Racal Elects.	180	+ 10
Redf Nat Gl	148	+ 18
Smith (W.H.) A	264	+ 22
Tate & Lyle	542	+ 12
Thorn EMI	389	+ 10
Tricentrol	143	+ 10
Unigroup	118	+ 10
Utd. Bis	247	+ 12

FALLS

Atkins Bros.	178	− 10
Lucas Inds.	498	− 12
Mer House	276	− 16

Prices at 3pm, January 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	16	AAR	.56	2.2	16	157	26	26	26	
24 5/8	10 3/4	AGS			18	255	22 1/4	21 5/8	22 1/4	+ 1/2
15 5/8	9 7/8	AMCA				10	11	11	11	+ 1/4
50 3/4	35 3/4	AMR			8	4805	47 1/8	46	47 1/8	+ 5/8
24 3/4	18 5/8	AMR pf2.18		9.2		9	23 5/8	23 5/8	23 5/8	+ 1/8
25 7/8	23 1/4	ANR pf 2.67		11.		511	25	25	25	+ 1/2
11 3/4	7 5/8	APL			5	19	10 3/4	10 3/4	10 3/4	+ 1/8
16 3/4	10 3/8	ARX			13	53	13 7/8	13 3/4	13 7/8	− 1/8
55 5/8	32 3/4	ASA	2a	5.0		255	39 3/4	39 1/4	39 3/4	
27	10 1/2	AVX		2.3		29	14 1/8	14	14	
28 1/8	20 5/8	AZP	2.72	10.	7	x856	27 1/4	26 7/8	27 1/4	+ 1/2
72	45 1/8	AbtLab 1.40		2.1	17	3816	65 1/2	63 3/4	65 1/2	+ 1 3/4
28 3/8	19 5/8	AccoWd .50		1.8	20	1709	27 3/4	27	27 3/4	+ 7/8
24 3/4	10	AcmeC .40		3.1	18	x170	12 7/8	12 1/2	12 3/4	− 3/8
10 1/2	7	AcmeE .32b		3.7	13	5	8 7/8	8 5/8	8 3/4	
19 3/4	16 1/8	AdaEx 1.90e		11.		52	18 1/8	17 7/8	18	
22 3/4	14	AdmMl .40		1.8	9	8	21 7/8	21 1/2	21 3/4	
18 3/8	8 3/4	AdvSys 1.38t		8.0	15	9	17 1/8	17	17	+ 1/8
36 3/8	22 1/8	AMD				1618	28 5/8	28 1/4	28 5/8	+ 1/8
12 5/8	10 3/8	Adobe n				134	11 1/8	11 1/4	11 1/4	− 1/2
18 5/8	14 3/8	Adob pf 1.84		11.		27	17 1/4	16 7/8	16 7/8	− 1/8
18 1/2	15 1/4	Adob pf 2.40		13.		38	18 1/4	17 7/8	18 1/4	+ 1/4
14 1/2	8 1/8	Advest .12a		.8	14	413	u14 3/4	14 1/2	14 3/4	+ 1/4
55 1/2	39	AetnLf 2.64		4.7	18	3963	u56	54 7/8	55 5/8	+ 3/4
57 1/2	52 1/2	AetL pf5.19e		9.6		17	54 1/8	54	54	− 1/4
100 1/4	99 3/4	AetL pfC				5	100 1/8	100 1/8	100 1/8	− 1/8
58	27 1/4	Ahmns 1.20		2.1	7	2606	u58 3/4	56 1/4	57 3/4	+ 1 1/4
4 1/4	2 1/2	Aileen			213	85	4 1/4	4	4 1/4	+ 1/8
68 1/8	46 7/8	AirPrd 1.48		2.1	14	656	u70 1/8	68 7/8	68 7/8	+ 1
24 3/8	17 1/2	AirbFrt .60		3.1	11	124	19 5/8	19 1/4	19 5/8	+ 1/4
2 1/8	1 1/2	AlMoana .50c				418	1 7/8	1 7/8	1 7/8	
33 5/8	27	AlaP pfA3.92		14.		8	28 5/8	28 1/8	28 5/8	+ 1/8
8 3/4	7	AlaP dpf .87		10.		26	8 5/8	8 5/8	8 5/8	
89 1/2	68	AlaP pf 9		10.		z100	89	89	89	+ 1/2
107	95 7/8	AlaP pf 11		10.		z100	105 3/4	105 3/4	105 3/4	− 1/4
80 3/4	63 1/2	AlaP pf 8.16		10.		z400	78 1/2	78 1/2	78 1/2	+ 1/2
26 5/8	15 1/4	AlskAir .16		.9	7	358	18	17 3/4	18	
34 3/4	12 1/2	Alberto s .42		1.1	26	429	u35 3/4	35	35 1/4	+ 3 1/2
33 1/4	25 7/8	Albtsns .76		2.3	13	80	32 5/8	32 1/4	32 1/2	+ 1/4
31 1/2	22 3/4	Alcan .80		2.6		8701	31 1/4	30 5/8	31	+ 1/2
38	31 1/2	AlcoStd .24		3.5	15	326	36	35 3/4	35 3/4	− 3/8

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from Page 38

AMEX COMPOSITE PRICES

Prices at 3pm, January 28

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called.d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Stunned by Challenger disaster

ANOTHER STRONG session on Wall Street – the fourth successive gain – was checked abruptly when news of the disaster to the US space shuttle mission took the heart out of the stock markets, *writes Terry Byland in New York.*

An early gain of more than eight Dow points was quickly halved before the market regained its balance and the blue chips began to return towards their higher levels.

At the close the Dow Jones industrial average was up 18.81 at 1,556.42.

Wall Street was stunned by the disaster and stock prices wilted as investors turned their attentions away from the financial markets.

Earlier, stocks had continued their favourable response to the fall in oil prices, helped by gains in bonds on expectations of a cut in the Japanese discount rate.

Lockheed, which manages ground processing of the shuttle, eased $1⅛ to $45 as the company said it had no immediate comment. Rockwell International and Morton Thiokol, also involved in the shuttle mission, gave ground. Rockwell slipped $1⅞ to $33⅛, while Thiokol, briefly suspended in the face of a wave of selling orders, returned to trade at $35 against $37 ahead of the disaster reports.

During the first half of the session, prices continued to surge forward, with investors favouring those likely to benefit from lower oil prices. Hopes of a cut in Japanese rates revived hopes of a similar downward move in US discount rate, although few analysts expect such a move to come soon.

Bank issues, hit last week by nervousness over their energy loans, staged a good recovery. Bankers Trust gained $⅝ to $34¼, Chase Manhattan $⅝ to $70⅜ and J.P. Morgan $1⅞ to $62⅝. Citicorp, which has been shielded from much of the setback elsewhere in the sector, also improved, adding $⅝ to $45⅝.

Utilities, always an indicator of interest rate prospects, also moved up, led by Consolidated Edison, $⅝ higher at $40⅝ and Pacific Electric & Gas, $⅝ up at $33.

Car stocks provided the strongest feature in early trading, after a First Boston analyst recommended General Motors as "a strong buy", on the "overall improvement in group fundamentals". Other motor industry analysts chimed in, pointing out that lower interest rates and oil prices would benefit US manufacturers. At $73, General Motors was $2⅛ higher, Ford climbed $1⅛ to $61⅞ and Chrysler $⅛ to $44⅞.

Airline stocks came in for some profit-taking after the sharp gains chalked up as oil prices slid lower. United at $54⅜ shed $⅜ and Pan Am was unchanged at $8⅜. Northwest Air, expected to benefit strongly from its planned acquisition of Republic Air, added $⅝ to $49.

American Telephone & Telegraph traded heavily after the results, shading $⅛ to $22⅞. GTE, a major competitor in the telephone business, added $⅝ to $47⅞, also after results.

Oils continued to give ground, although Exxon at $51⅛ shed only $⅛ after disclosing a 20 per cent gain in 1985 profits. Atlantic Richfield fell $1⅛ to $52⅞ after suspending its stock purchase programme. Standard Ohio, controlled by British Petroleum, fell $1⅞ to $45⅛, and Mobil, still responding to results, $⅝ to $29.

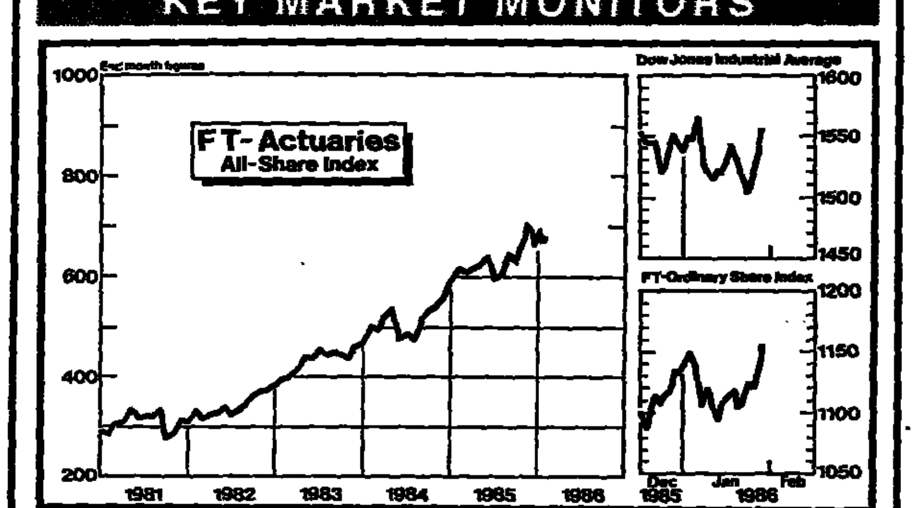
Technology and computer stocks remained firm, with IBM rallying $⅝ to $149⅝ as the market assessed the implications of the plan to cut the Intel stake – at $27⅞, Intel held steady.

Digital Equipment surged ahead again, adding a further $1⅛ to $155⅜, Honeywell gained $⅝ to $75⅜ and Burroughs $⅜ to $67.

Consumer stocks extended their recent recovery, reflecting potential benefits for consumer spending from lower oil prices and a re-stimulated economy. Federated Department Stores jumped $1⅞ to $67⅜, and J. C. Penney added a further $⅞ to $57⅞.

In the credit market, short-term rates showed little change, despite federal funds still comfortably below 8 per cent. An early move in federal discount rate is now thought unlikely, although some analysts suggest that the rate could be cut in a month or so. Bonds recovered their poise in the second half of the session, to record gains of about half a point.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Jan 28	Previous	Year ago
NEW YORK			
DJ Industrials	1,547.13*	1,537.61	1,277.83
DJ Transport	750.47*	746.44	607.17
DJ Utilities	173.68*	172.55	148.39
S&P Composite	208.85*	207.39	177.39
LONDON			
FT Ord	1,155.4	1,139.4	961.2
FT-SE 100	1,426.3	1,405.0	1,265.8
FT-A All-share	689.40	679.41	601.35
FT-A 500	757.62	745.80	657.33
FT Gold mines	347.7	357.0	446.1
FT-A Long gilt	10.68	10.77	10.99
TOKYO			
Nikkei	12,993.69	12,983.14	11,798.90
Tokyo SE	1,041.20	1,041.30	919.23
AUSTRALIA			
All Ord.	1,055.6	1,052.9	754.8
Metals & Mins.	534.5	529.4	429.2
AUSTRIA			
Credit Aktien	121.10	119.83	58.46
BELGIUM			
Belgian SE	2,817.96	2,809.86	2,126.04
CANADA	Jan 28	Prev	Year ago
Toronto			
Metals & Minls	2,237.9*	2,218.5	148.39
Composite	2,826.3*	2,827.9	2,566.0
Montreal			
Portfolio	138.84*	138.47	129.31
DENMARK			
SE	n/a	220.63	169.87
FRANCE			
CAC Gen	283.6	282.8	185.2
Ind. Tendance	107.3	107.3	106.9
WEST GERMANY			
FAZ-Aktien	662.72	685.01	392.17
Commerzbank	1,997.2	2,068.6	1,139.3
HONG KONG			
Hang Seng	1,754.38	1,744.11	1,374.89
ITALY			
Banca Comm.	466.77	459.88	256.07
NETHERLANDS			
ANP-CBS Gen	252.8	257.1	149.9
ANP-CBS Ind	243.3	248.5	156.3
NORWAY			
Oslo SE	375.26	380.93	317.74
SINGAPORE			
Straits Times	605.58	601.13	794.64
SOUTH AFRICA	Jan 28	Prev	Year Ago
JSE Golds	–	1,307.9	925.4
JSE Industrials	–	1,071.8	885.5
SPAIN			
Madrid SE	108.15	108.76	112.53
SWEDEN			
J & P	1,763.96	1,794.23	1,433.68
SWITZERLAND			
Swiss Bank Ind	575.1	585.5	411.2
WORLD	Jan 27	Prev	Year ago
MS Capital Int'l	256.2	254.4	194.7

COMMODITIES

(London)	Jan 28	Prev
Silver (spot fixing)	434.80p	452.10p
Copper (cash)	£1,025.50	£1,028.50
Coffee (Mar)	£2,478.50	£2,611.50
Oil (spot Arabian Light)	n/a	n/a

GOLD (per ounce)

	Jan 28	Prev
London	$352.00	$355.125
Zürich	$353.25	$358.875
Paris (fixing)	$353.77	$362.98
Luxembourg	$354.75	$363.50
New York (Feb)	$353.70	$354.30

CURRENCIES

(London)	US DOLLAR Jan 28	US DOLLAR Previous	STERLING Jan 28	STERLING Previous
$	–	–	1.41	1.3915
DM	2.397	2.398	3.38	3.3375
Yen	195.6	195.7	275.75	272.25
FFr	7.3625	7.365	10.38	10.2475
SFr	2.032	2.0335	2.865	2.83
Guilder	2.7105	2.7095	3.8275	3.77
Lira	1,633.5	1,636.0	2,303.25	2,276.5
BFr	49.15	49.15	69.3	68.4
C$	1.4205	1.41375	1.9985	1.9587

INTEREST RATES

	Jan 28	Prev
Euro-currencies (3-month offered rate)		
£	12$^{13}/_{16}$	13⅛
SFr	4$^{5}/_{16}$	4$^{5}/_{16}$
DM	4$^{11}/_{16}$	4$^{11}/_{16}$
FFr	14	13¾
FT London Interbank fixing (offered rate)		
3-month US$	8$^{1}/_{16}$	8⅛
6-month US$	8⅛	8⅛
US Fed Funds	7¾*	7$^{13}/_{16}$
US3-month CDs	7.65*	7.70
US3-month T-bills	6.91*	6.94

US BONDS

Treasury		Jan 28* Price	Jan 28* Yield	Prev Price	Prev Yield
8⅛	1988	100$^{7}/_{32}$	8.526	100$^{6}/_{32}$	8.05
8¾	1993	99$^{14}/_{32}$	8.859	98$^{31}/_{32}$	8.75
9½	1995	102$^{9}/_{32}$	9.033	102$^{14}/_{32}$	9.11
9⅞	2015	105$^{7}/_{32}$	9.308	105$^{5}/_{32}$	9.36

Treasury Index

Maturity (years)	Return Index	Jan 28* Day's change	Yield	Day's change
1–30	138.65	+0.37	8.72	−0.06
1–10	135.24	+0.26	8.46	−0.05
1– 3	129.89	+0.13	8.08	−0.05
3– 5	137.31	+0.32	8.59	−0.07
15–30	150.89	+0.77	9.63	−0.06

Source: Merrill Lynch

Corporate	Jan 28* Price	Jan 28* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	100⅞	10.11	100⅞	10.11
3⅞ July 1990	86.091	7.65	85⅝	7.75
8⅝ May 2000	90⅞	9.56	90⅝	10.00
Xerox				
10⅞ Mar 1993	104.797	9.67	104½	9.73
Diamond Shamrock				
10⅜ May 1993	102.824	10.06	102⅝	10.12
Federated Dept Stores				
10⅜ May 2013	101.083	10.50	100⅝	10.55
Abbot Lab				
11.80 Feb 2013	109.861	10.70	109.187	10.75
Alcoa				
12⅜ Dec 2012	107.928	11.30	107.481	11.35

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	84-28	85-05	84-22	84-20
US Treasury Bills (IMM) $1m points of 100%				
Mar	93.19	93.25	93.18	93.20
Certificates of Deposit (IMM) $1m points of 100%				
Mar	92.40	92.42	92.40	92.38
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	n/a	n/a	n/a	n/a
20-year Notional Gilt £50,000 32nds of 100%				
Mar	n/a	n/a	n/a	n/a

* Latest available figures

LONDON

Late flurry secures record high

A BURST OF optimism late in the session yesterday swept London to a record high. Investment confidence was strong throughout and news of a good early trend on Wall Street encouraged the late support.

During after-hours trade the FT Ordinary share index continued to rise, closing 16.0 up at a record 1,155.4. The FT-SE 100 index also rose sharply to end 21.3 higher at 1,426.3.

Sterling's better performance diverted attention to gilts, where shorter issues gained $^{5}/_{16}$. Longs' gains were pared to 1 point from an earlier 1¼, while index-linked werer less favoured than recently.

Chief price changes, Page 37, Details, Page 36, Share information service, Pages 34-35.

AUSTRALIA

OVERSEAS INVESTORS rushed back into Sydney after Monday's Australia day holiday and pent-up demand sent prices shooting upwards.

The All Ordinaries index gained 2.7 to 1,055.6.

Stronger international bullion prices led to gains among the gold issues and this in turn flowed on to other miners.

News Corporation, the media group owned by Mr Rupert Murdoch, moved higher on news of his apparent success against the printing unions in London. News rose 24 cents to A$9.26.

HONG KONG

THIN TRADING ahead of the Chinese new year remained indicative of activity in Hong Kong yesterday. Prices moved marginally higher despite some profit-taking.

Banks and utilities were selectively sought, encouraged by speculation of strong results from Hongkong Bank, Hang Seng Bank and Hongkong Electric in the upcoming reporting period.

These issues respectively put on 5 cents to HK$8.00, remained steady at HK$47.50 and added 5 cents to HK$8.85.

SINGAPORE

BLUE CHIPS provided much of the upward impetus in Singapore yesterday, the market's third consecutive firmer session.

Singapore Airlines was again the day's most actively traded issue, adding 15 cents to S$5.15.

Industrials were firmer. Cycle and Carriage advanced 12 cents to S$2.07, Fraser and Neave gained 5 cents to S$5.75, Singapore Press added a similar amount to S$5.90 but Gentings eased 4 cents to S$4.18.

SOUTH AFRICA

THE SURGE to record levels among gold shares in Johannesburg yesterday was short-lived and prices slipped back throughout the day in quiet trading.

As international bullion prices began to slip, a mild sell-off began that depressed most prices across the board.

Vaal Reefs shed R2 to R243, Western Deep Levels lost R1 to R122 and Orange Free State producer President Brand recorded a similar loss to R59.

CANADA

MINERS EXTENDED their gains in Toronto where prices traded mixed in an active session.

Noranda moved C$½ to C$16⅞ and Inco C$¼ to C$20.

Northern Telecom lost C$1⅛ to C$37 as fellow telecom giant AT&T reported slightly lower fourth-quarter earnings.

Mitel was steady at C$7⅞ after gaining C$1 in the previous session on news that the UK Government had conditionally approved British Telecom's takeover of the company.

TOKYO

Confidence fuelled by rate hopes

CONFIDENCE grew among investors in Tokyo yesterday that the Bank of Japan would authorise a cut in the official discount rate by ½ percentage point tomorrow. However, this sentiment had little impact on prices, *writes Shigeo Nishiwaki of Jiji Press.*

The continued gain on Wall Street and rumours of a crude oil price cut by Opec did not help boost the market. Investors sought semiconductor-related blue chips and incentive-backed stocks, but they neglected issues vulnerable to interest rate movements, such as utilities.

The Nikkei average added 10.55 to 12,993.69 on a volume of 347.86m shares, up from Monday's 301.87m. Declines outnumbered gains 409 to 391, with 158 issues unchanged.

In otherwise lacklustre trading, Hitachi and Toshiba soared. Hitachi topped the list of active stocks with 12.68m shares changing hands and closing Y10 higher at Y795. Toshiba was second, advancing Y12 to Y392 on volume of 12.10m shares. Non-residents bought heavily in anticipation of a recovery in the semiconductor supply-demand balance, spurring Japanese dealers to follow.

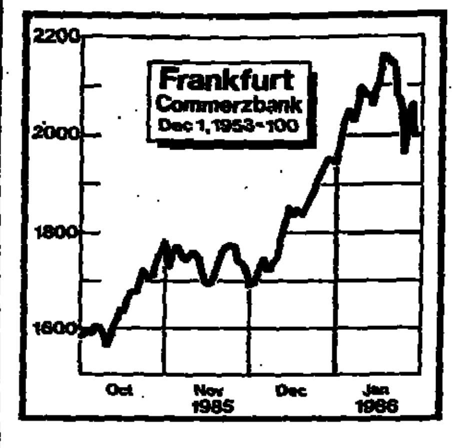
Shin-Etsu Chemical, the third busiest with 10.32m shares, spurted Y74 to Y1,030, regaining the Y1,000 mark for the first time in nearly a year and OKI Electric the fifth most active with 8.8m shares traded some Y22 to Y729.

Reflecting the Government's policy to stimulate domestic demand, Nippon Road and Nippon Hodo, both road construction companies, drew buy orders, jumping Y29 to Y729 and Y90 to Y1,680, respectively.

Speculator favourites strengthened with Citizen Watch climbing Y35 to Y530, Janome Sewing Machine Y10 to Y496 and Tokyo Juki Industrial Y63 to Y655. These issues were bought mainly by individual investors and dealers. Citizen Watch was fourth on the active list with 10.01m shares.

However, electric utilities which would benefit from lower interest rates, came under selling pressure. Tokyo Electric Power fell Y40 to Y2,890 and Kansai Electric Power Y50 to Y2,030.

On the bond market, the yield on the bench-mark 6.2 per cent government bond due in July 1995 slipped below 5.5 per cent, opening at 5.480 per cent compared with 5.525 per cent on Monday. But selling pressure later pushed it up to 5.51 per cent. Market sources said a trust bank sold large lots of issues with maturities similar to the benchmark issue's. Major dealers were reticent because of uncertainty over terms for the Government's February bond issuance.



EUROPE

Frankfurt storm amid bright spots

THE OUTLOOK on the European bourses yesterday resembled a typical January weather forecast: severe storms with isolated bright spots as the investment climate begins to warm up.

The storm was **Frankfurt**. Profit-takers flooded in as the dollar weakened below DM 2.40 and forced many investors to rethink, at least temporarily, their strategies. The recent wave of rights issues also contributed to the sharply lower performance that lopped 71.4 off the Commerzbank index to 1,997.2.

The banking sector, which is a major constituent of the Commerzbank index, failed to recover any lost ground near the close as the uneasy suspicion that the German banking system may be in for another round of Third World debt problems gained currency.

Deutsche Bank led the way down with its DM 28 fall to DM 810, while Dresdner lost DM 18.50 to DM 415.50 in partial response to Monday's DM 660m cash call and Commerzbank weakened DM 18 to DM 320.

The bloodletting continued among the car makers, with Daimler marked down DM 66 to DM 1,345 after touching DM 1,315, while VW finished near its low for the day with a DM 17.50 slump to DM 512.

Siemens and AEG, the main features of the previous session, lost heavily in early trading but recovered to finish DM 19.50 lower at DM 807 and DM 6.40 cheaper at DM 301.50, respectively.

Chemicals offered some resistance to the downturn largely due to bearish nature of oil prices. Bayer crossed the line DM 4.50 lower at DM 283.50, BASF dipped DM 5.50 to DM 266 and Hoechst retreated DM 5.30 to DM 277.20.

Retailers showed surprising strength compared with recent days. Kaufhof sparkled with a DM 1 gain to DM 390 on bargain hunting, while Karstadt slipped DM 1.50 to DM 346.50.

An active bond market saw gains of up to 20 basis points while the Bundesbank reduced its intervention to sales of DM 54.2m compared with DM 76.7m in the previous session.

Brussels was one of the brighter spots as the prospects of good 1985 profit figures tantalise investors, although the weakness of the Belgian franc could remove some of the glitter. Market leader Petrofina picked up BFr 40 to BFr 6,130, Hoboken scored a BFr 60 jump to BFr 6,120 and Sofina held on to a BFr 120 gain at BFr 7,920.

Moving against the trend were Bekaert, BFr 150 down at BFr 8,650 and Electrobel BFr 25 lower at BFr 11,625.

Paris turned in a steady, if hesitant, performance with oil prices beginning to have a dampening effect on sentiment.

Moët-Hennessy slipped FFr 34 to FFr 2,425 amid plans for a capital and dividend increase as world champagne sales hit a record in 1985.

Lafarge Coppée scored a FFr 35 rise to FFr 875 and Valeo closed FFr 17 stronger at FFr 445.

Milan perked up with heavy demand for insurers as Generali gained L1,190 to L78,500 and Toro rose L790 to L28,200.

Fiat managed a L56 advance to L6,305, while Bastogi gained L14 to L512. Moving against the trend were Italcementi L700 cheaper at L48,200, while Pirelli SpA shed L30 to L4,020.

Zurich turned in a poor showing with transports lower and banks ceding more ground. Swissair fell SFr 54 to SFr 1,980 and UBS surrendered SFr 70 to SFr 4,930.

Madrid shifted lower after Monday's slight recovery, while **Stockholm** and **Amsterdam** retreated in late trading.